

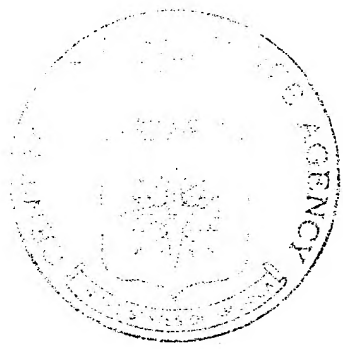
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Pub

IMPORTANCE TO THE US OF LATIN AMERICAN CIVIL AIR TRANSPORT

CIA HISTORICAL REVIEW PROGRAM
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ORE 22-49

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IMPORTANCE TO THE US OF LATIN AMERICAN CIVIL AIR TRANSPORT

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MAPS

The following maps, which supplement the information contained in the appendixes, are enclosed in a separate envelope:

- Latin American Routes of Airlines Wholly or Partly US Owned
- Airline Routes in South America
- Airline Routes in Middle America
- International Airline Operations in the South American Area
- International Airline Operations in the Middle American Area

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IMPORTANCE TO THE US OF LATIN AMERICAN CIVIL AIR TRANSPORT

SUMMARY

In case of war with the USSR, US military airlift requirements will exceed the capabilities of available US civil and military transport aircraft. Under these circumstances, the Latin American countries could and probably would provide a considerable number of multi-engine passenger and cargo transports for military airlift operations within the Central-South American area which would somewhat reduce this deficiency. Thus, within 60 days the Latin American airlines could assume the major portion of the military airlift requirements within that area, thereby releasing US aircraft for operations elsewhere. In addition, Latin America might contribute a small number of four-engine aircraft for military lift on the trans-Atlantic runs. If the Latin American contribution were limited to twin-engine aircraft, it is estimated that as many as 275 planes could be furnished, of which a maximum of 175 would be cargo types. This twin-engine cargo fleet could be employed to transport critical strategic materials from the interior of Latin America to seaboard transshipment points, and in the event of serious disruption of ocean shipping by enemy action, it could fly such materials directly to North America.

In time of peace, Latin American civil aviation is of some secondary importance to the US because it: (a) aids in the economic development of an area exceeded only by Europe as a market for US exports; and (b) provides a limited market for US transport aircraft of all types, thus slightly increasing the level of activity in the US aviation industry. Most Latin American countries, furthermore, have adopted in international agreements the liberal aviation principles sponsored by the US throughout the world, and thus have indirectly facilitated unimpeded international air traffic, which is a prerequisite to the maximum development of US commercial air carriers.

Expected trends in Latin American civil aviation unfavorable to the US are: a reduction in Latin American purchases of US aviation equipment owing to the dollar shortage and the competition now being offered to US exporters by foreign aircraft manufacturers; and a tendency among certain Latin American countries to adopt restrictive measures against foreign air carriers. The latter development would give impetus to similar restrictive tendencies already evident in other parts of the world, thus eventually threatening the structure of US world air routes.

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. The information in the estimate is as of 1 March 1950 and in the Appendixes as of 15 November 1949. Important changes since these closure dates have been added as footnotes.

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IMPORTANCE TO THE US OF LATIN AMERICAN CIVIL AIR TRANSPORT

1. Strategic Considerations.

In case of war, a major airlift would probably be required to support US objectives, conceivably in widely separated areas. The strain on the airlift capacity of the US in an emergency will be such that help from other sources will be of considerable strategic significance. Despite its relative backwardness, Latin American civil aviation is capable of making such a contribution to military airlift operations within the Central-South American area. Between 20 and 50 percent of the Latin American 550-plane transport fleet could and probably would be made available in a reasonably short time.

There are sound reasons to anticipate that all Latin American countries, in varying degrees of effective cooperation, would be aligned with the US in the event of war with the USSR. The degree and promptness of their cooperation would depend in part upon the circumstances out of which the emergency arose, but assistance would be immediately offered with sincere intentions if an attack occurred within the Western Hemisphere.

Because most of the governments concerned regulate private airlines and because there is also a certain amount of US influence in a number of important companies,* there should be little difficulty in diverting the planes to wartime use.

Given contracts protecting sovereignty and guaranteeing against loss, co-belligerent Latin American countries could be expected to accept as large a diversion of civil aircraft to joint war purposes as would the US under similar circumstances, despite the fact that air

* Although US investments are proportionately not large, the actual influence of the US in the air transport industry of Latin America exceeds that suggested by the direct ownership participation of US interests, largely as a consequence of the considerable indebtedness of numerous airlines to their US stockholders.

transport is normally of more critical importance to Latin American countries than are other media of transportation.*

The most urgent US need in case of a major emergency would almost certainly be for four-engine aircraft capable of transoceanic operations. Of the multi-engine US-built transports now operated by Latin American civil air carriers, about 50, or approximately 10 percent of the total, are four-engine aircraft. This number is roughly one-eighth of those now operated by all US scheduled domestic and international airlines and, assuming a proportionate diversion to wartime use, would increase by one-eighth the airlift contribution in four-engine aircraft made by US scheduled airlines. Apart from the mere number of these Latin American aircraft, moreover, their strategic value to the US would be substantially enhanced by virtue of the fact that more than half are adapted for long-range overwater operations. Their employment on transoceanic airlift missions would thus not require the time-consuming structural modifications which would be necessary for a large part of the US domestic fleet.

The maximum estimate for availability of the Latin American civil transports to the US is 50 percent, the minimum, 20 percent. The first figure is supported by the consideration that the bulk of the Latin American fleet is owned by those countries—Brazil, Chile, and Mexico, for example—likely to be most closely associated with the US in time of war; the second takes into account the increased wartime transport demands of the countries

* Certain variables, such as the operating condition of the aircraft at any given time and the feasibility of their rapid conversion from passenger to cargo use or vice versa, which would have to be considered in precise logistic planning, are omitted here. They are beyond the scope of this analysis, which is intended solely to indicate the order of magnitude of the possible Latin American airlift contribution.

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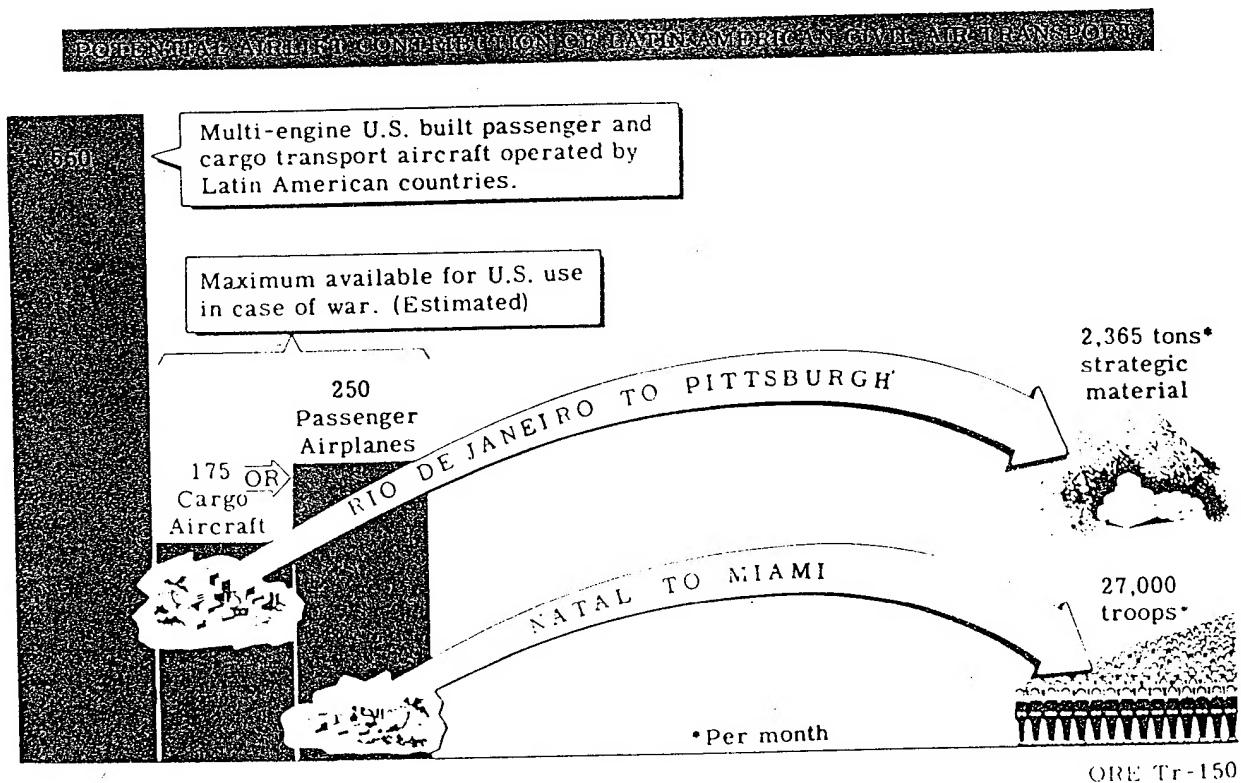
themselves,* as well as any combination of unfavorable circumstances that would be likely to arise. On the basis of these estimates, Latin America could furnish a minimum of 110 and a maximum of 275 transport aircraft, predominantly of twin-engine types.** If it is assumed that cargo lift would be more important than passenger operations, it is reasonable to suppose that of the 110-plane minimum, sixty cargo-type aircraft would be available and of the 275 maximum, 175. Calculating on a reasonable basis of operating efficiency on a hypothetical run between the US Atlantic seaboard and Brazil, for example, the lift capacity of 60 C-47's would be 810 tons a

* In addition to the 550 civilian aircraft already mentioned, there are about 180 US-built transports, most of which are structurally suited to both cargo and passenger operations, which are attached to the various Latin American armed forces, and could be drawn on for airlift purposes or employed by Latin American countries as replacements for diverted civil transports.

** See Table I, page 7.

month; of 175 C-47's, 2,365 tons. For the carrying of passengers, on the other hand, a minimum of 100 or a maximum of 250 planes of this type could be expected, capable of carrying between 10,800 and 27,000 troops per month on a hypothetical run between Miami and Natal. In the event of circumstances requiring either type of operation, the continued existence of the extensive and well-organized chain of airfields and other facilities on the Brazilian north coast and through the Caribbean would be a consideration of the highest importance to the US.

Particularly if bilateral arrangements had been made before war began, a majority of the Latin American aircraft could be made available to the US in a short time. Because of the low standards of efficiency and maintenance prevailing in many Latin American airlines, however, and the organizational problems involved, it would take at least sixty days before the full capacity of these planes would be utilized.

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The present trend toward replacing US aircraft with foreign types, if continued, would somewhat hamper the effectiveness of a Latin American contribution in case of emergency because of the difference in flight and maintenance procedures and the need of obtaining parts abroad. If, however, the Latin American fleet were used as a self-contained unit in purely South American operations from its normal bases, the effect would be less important.

Although it is impossible to foresee the many US requirements for emergency airlift capacity, one possible use of the Latin American air fleet directly affecting US security interests would be the transport of certain critical strategic materials from remote sources to seaboard transshipment points or, in case of extreme emergency, from Latin America directly to the US. Current stocks of most of the strategic materials in the US stockpiling program are considerably short of objectives, and there is no immediate prospect of meeting these goals. The present unfulfilled objectives, moreover, are subject to drastic upward revision at any time as the result, for example, of scientific or technological progress. Reduction in the availability of strategic materials from normal sources is also possible. The fall of Southeast Asia to the Communists, for example, would render increased US access to South American production critically important. Other sources of materials to which the US has external lines of communication might be cut off by hostile submarine action or Communist sabotage.

Use of the Latin American airlift for emergency transport of strategic materials is entirely feasible. Such an airlift would probably be directed toward commodities for which the US requirement is relatively small and for which the limited airlift capacity would be best suited. Latin American sources of such materials are already being exploited and are in many cases capable of expanded production, while airfield installations have already been constructed in locations within reach of needed materials. Although the majority of Latin American airfields are not suitable for four-engine aircraft, most are capable of accommodating sustained operations by twin-

engine aircraft, which are those in largest Latin American supply and most likely to be used in a strategic materials airlift. Since twin-engine planes constitute the least stringent US requirement, their use in a strategic material lift would not seriously prejudice the primary airlift commitment. Moreover, in case of a catastrophe such as the breakdown of ocean transport, twin-engine aircraft could be diverted from their most logical use in a strategic material airlift (production site to seaboard) to an operation from Latin American to North American destinations, whereas they could not satisfactorily transport mass cargoes from sites overseas. The strategic value of the Latin American airlift in such extraordinary circumstances is illustrated by the fact that these aircraft, which are capable of transporting 2,365 tons per month if operated from Brazil to the US (see p. 4), could deliver a volume of beryl, quartz crystals, tantalite, tungsten, zircon (baddeleyite), columbite and vanadium 75 percent greater than the average monthly US imports from all sources in 1948. In the event of a sustained operation, moreover, cargo capacity could be increased somewhat by the conversion of passenger aircraft to cargo use.

2. Economic Considerations.

The principal long-range economic significance of civil aviation in Latin America, from the US point of view, stems from its role in providing rapid intra-area communications. Aviation develops and maintains the economies of backward and isolated areas, and otherwise promotes the economic stability of the Latin American nations, particularly in view of their inadequate surface transport and the geographic obstacles to their economic unification. As an important factor in promoting the economic welfare of an area which is exceeded as a market for US exports by Europe alone, the continued development of Latin American civil aviation is, therefore, clearly to the long-range advantage of the US.

There are other factors of secondary economic importance to the US. The area constitutes a market for the sale of new and used US transport aircraft, spare aircraft parts, and other aviation equipment as evidenced by the fact that about 90 percent of the present

Latin American transport fleet is of US manufacture. US exports of all types of transport aircraft to Latin America totaled about \$41.1 million for the three-year period 1947-9.* This volume represented roughly 27 percent of the dollar value of all US exports in this category during these three years, thus constituting a significant portion of the overseas market for US transport aircraft, and it was appreciably supplemented by the sale of spare parts and equipment. Because of the vital need to maintain the US aircraft industry at the highest possible peacetime level in order to minimize the required wartime expansion, any foreign markets for planes or for engines and parts are significant, particularly in view of the rapid downward trend in US civil transport production since 1947.

The bulk of recent sales to Latin America has been of US war surplus stocks, and the actual purchase of new planes during the three-year period was not large (only about 8 percent of US civil transport output), but the very fact that most of the planes were not new is of some significance, because it promises an accelerated demand for replacements. The present US-made Latin American civil transport fleet (DC-3 and larger) is about 50 percent of that now operated by all US scheduled airlines, indicating a replacement demand at least half the size of that in the US. Considering the need for new and modern planes to replace obsolescent ones, thus increasing the average unit volume of the aircraft sold, and the high replacement demand for new engines and parts, the Latin American market could, in coming years, have a considerable effect on maintenance of the US industry, despite the fact that the rate of expansion of the area's air fleet is expected to be moderate.

The above estimate, however, is made without reference to the competition that US manufacturers must meet. The prevalent Latin American dollar shortage plus the competitive advantage accruing to British and other European manufacturers through currency devaluation create a strong temptation in Latin America to buy in other than US markets. These factors have already tended to favor increased Latin American purchases

of military equipment and machinery from Europe. Furthermore, current production in Europe of small aircraft particularly suitable for Latin American feeder-line operations, some of which have already been sold in the area, and the probable introduction to the Latin American market of Canadian or British jet transports in advance of such US types will increase the competition. Since Latin American purchases of new aircraft in the near future are not expected to be extensive, however, any trend away from US equipment will develop gradually and its effects on the US aircraft industry may not be appreciable for several years.

With respect to its economic significance as an outlet for US investments, Latin American civil aviation does not offer an attractive market for venture capital. The declining US financial stake in Latin American-flag airlines, most of which are capitalized at comparatively low levels, is estimated now to be less than \$20 million, on the basis of the nominal value of stock holdings. This situation is in part the result of the enactment and enforcement by many Latin American countries of legislation requiring majority stock ownership and effective control of national-flag airlines to be held by interests of the same nationality. The policy of establishing national control over civil air activities is consistent with the efforts of the Latin American countries toward economic autarchy in other directions, as manifested by their attempts to develop local industry, their preference for government-to-government loans or grants, and their pronounced prejudice against admission of foreign capital except under restrictions unlikely to appeal to foreigners.

3. Political Considerations.

Civil air relations between the US and Latin America have also a subsidiary political importance in that Latin America's technical dependence upon the US in aviation matters during and after the war has resulted in a marked US influence in civil air affairs. Although there is evidence that this influence is declining as Latin American capabilities are developed, close cooperation between the two areas in aviation matters has contributed to

* See Table II, page 7.

their generally cordial relations and remains a potential means of sustaining them. Factors promoting close relations, in addition to the increased economic intercourse developed through exchange of airline services, have been the negotiation of reciprocal air agreements, and the establishment of US technical assistance missions in Latin America and training programs for Latin American personnel in the US.

A prime objective of postwar US aviation policy has been the facilitation of freedom of international movement for US commercial air carriers under conditions conducive to their maximum development. In general, bilateral agreements negotiated by the US with major Latin American civil air powers embody "liberal" principles, favorable to US aviation interests. In turn, Latin American agree-

ments with European countries have generally conformed to the US standard type. As a result, designated US airlines have been assured freedom of movement throughout most of Latin America, and the US case in sponsoring world-wide liberal air principles has been considerably strengthened in other areas less subject than Latin America to US influence.

There is no assurance, however, that this trend will continue. As the Latin American lines, already financially weak, encounter increasing foreign competition, they are likely to adopt more restrictive policies toward foreign carriers. Moreover, the quondam opposition of certain Latin American countries to a multilateral air agreement, which was being strongly advocated by the US, indicates that opposition from this area to US objectives in international air conferences is not excluded. Should this change take place, it would give impetus to a similar movement already evident in other parts of the world and thus might eventually threaten the whole structure of US world air routes.

TABLE I
ESTIMATED LATIN AMERICAN CONTRIBUTION
TO EMERGENCY AIRLIFT

	MINIMUM NUMBER AIRCRAFT AVAILABLE (20% BASIS) 110		MAXIMUM NUMBER AIRCRAFT AVAILABLE (50% BASIS) 275	
	Cargo Priority*	Personnel Priority*	Cargo Priority*	Personnel Priority*
Cargo Aircraft.	60	10	175	25
Passenger Aircraft.....	50	100	100	250

* This is a breakdown of minimum and maximum figures into a further estimate of the distribution between cargo and passenger aircraft which would be made available should priority airlift requirements demand on the one hand transport of cargo, and on the other hand transport of personnel. These estimates are based on several factors, including the fact that the Latin American civil air fleet is made up of about 195 cargo aircraft and 360 passenger transports.

TABLE II
US TRANSPORT AIRCRAFT EXPORTED TO
LATIN AMERICA
(Military and civil)

YEAR	NEW AIRCRAFT		USED AND SURPLUS AIRCRAFT		TOTAL	
	Units	Dollar Value	Units	Dollar Value	Units	Dollar Value
1947.....	20	3.4	292	14.4	312	17.8
1948.....	27	6.9	198	8.6	225	15.5
1949.....	9	.9	160	6.9	169	7.8
Three Year Totals...	56	11.2	650	29.9	706	41.1

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DEFINITIONS

The following terms pertaining to civil aviation employed throughout this estimate are herewith defined:

(a) *Fifth Freedom*. This controversial principle concerns commercial air traffic privileges accorded through international agreement to an air carrier of one nation in the territory of a second. Specifically, Fifth Freedom is the privilege of an air carrier of one nation to take on in the territory of a second country passengers, mail, and cargo destined for a third state and, conversely, the privilege to put down in a second nation passenger, mail, and cargo originating in a third country.

(b) *Bermuda Agreement*. The Bermuda Agreement was negotiated between the US and UK in February 1946. It incorporated certain liberal principles governing international commercial air traffic, including a mutual concession of Fifth Freedom privileges and recognition of the right of fair and equal opportunity to engage in air commerce under

competitive conditions. The US and UK have jointly promoted these principles throughout the world and the Bermuda Agreement has become the model for a large number of subsequent international air agreements.

(c) *Unduplicated Route Mileage*. The following hypothetical case illustrates the manner in which unduplicated route mileage is computed. Two given routes, such as New York-Habana-Panama and New York-Habana-Caracas, having a common segment (New York-Habana), are both operated by a single airline. In computing the unduplicated route mileage of this carrier the duplicated segment (New York-Habana) is included in the airline's total only once. Moreover, this carrier's unduplicated route mileage is not affected by the fact that one or more other airlines operate parallel routes. The term "unduplicated," therefore, refers only to those route miles which are not duplicated by an individual airline.

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ANNEX

INTRODUCTION

1. Historical Background.

a. Prewar Development.

Before World War II, civil air transport in Latin America was developed, financed, and to a large extent controlled by European and North American interests. It was particularly susceptible to foreign development because of the financial and technical inability of most Latin American countries to develop their own air services. Lack of adequate surface transport, moreover, led Latin American countries to encourage development of air transport. As a result, foreign interests (principally German and US) established, operated, and controlled extensive air networks under liberal concessions. The capability of various national interests in Latin America to provide domestic air services gradually increased, however, with the result that by the outbreak of World War II a trend was perceptible toward the progressive restriction of privileges enjoyed by foreign aviation interests.

b. Wartime Development.

Elimination of Axis Influence. With the outbreak of the European war and the subsequent military victories of the Axis, the extensive penetration of Latin American civil aviation by German-flag and German-controlled airlines (which together flew three million miles in 1940 over 27,000 route miles throughout South America) became a source of increasing concern to the US. Italian trans-Atlantic services, furthermore, flew from Rome to Natal, Rio de Janeiro and Buenos Aires. Consequently, the US and various Latin American governments cooperated to eliminate all Axis influence gradually from Latin American aviation. This was accomplished through the progressive replacement of Axis air services either with US airlines directly or with native services operated by US-trained flight and ground personnel and

backed by US financial aid and technical assistance.

As a result of these measures and the discontinuation of air services in Latin America by other European interests, together with the close wartime collaboration between the US and Latin American governments, the US, at the close of the war, enjoyed a virtual monopoly of foreign influence over Latin American aviation.

US Aid to Latin American Aviation. US-Latin American collaboration in aviation matters, instituted early in the war, has included technical guidance as well as the training of pilots, mechanics, instructors, engineers, and high-level administrative officers. US civil air missions have also assisted in establishing and developing standardized air traffic control and operational procedures, and have provided technical advice on navigational aids, radio communications, meteorological installations, and maintenance requirements. Moreover, the US has advised certain Latin American nations regarding the promulgation of modern civil aviation regulations. This assistance, together with the US-sponsored wartime Airport Development Program, laid the foundation for the rapid expansion of Latin American airline operations.

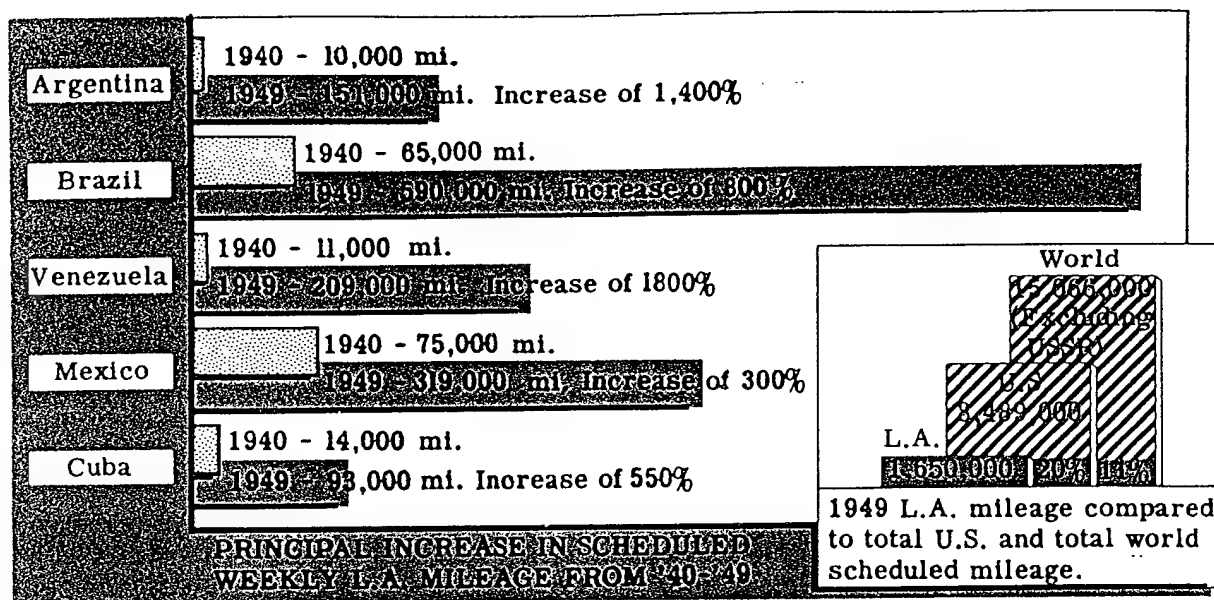
c. Postwar Expansion of Airlines and Air Facilities.

The end of World War II initiated a period of rapid and continuing expansion of national-flag and foreign airline operations in Latin America.

Increase in Latin American Airline Equipment. As a result of having purchased modern aircraft from US postwar surplus stocks at low cost, Latin American scheduled airlines in 1947 were operating over 400 more aircraft, including 36 more 4-engine types, than in 1940. (See Table A.) By early 1949 another 69 aircraft, including 22 additional

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4-engine transports were added, thus bringing the total fleet operated by the area's scheduled airlines to approximately 700.

Although US-manufactured aircraft amounted to 72 percent of the total owned by Latin American scheduled airlines in 1940, only 23 were as modern as the DC-3. In 1949, six hundred aircraft, or 88 percent of the total, were of US manufacture, and of these, 450 were of types at least as large and as modern as the DC-3. (Aircraft of UK manufacture in use in 1949 amounted to only 8 percent of the Latin American transport total.) The increase in US equipment operated by Latin American airlines, moreover, would have been even greater had it not been for the severe dollar shortage which has recently prevailed in most Latin American countries.

Although Latin American airlines operated 18 percent of the world total of scheduled airline equipment in 1949 (excluding the USSR), their share of 4-engine aircraft amounted to slightly less than 7 percent of the world total of this type.

Increase in Latin American Airline Operations. As a result of rapid postwar expansion, Latin American scheduled airlines were operating in 1947 about four times more mileage than in 1940. (See Table B.) By 1949, this mileage had increased to over 15 million miles

per week or more than five times that scheduled in 1940. The principal increases in scheduled weekly mileage from 1940 to 1949 were made by the airlines of Argentina (an increase of about 140,000 miles—1,400 percent), Brazil (about 460,000 miles—over 700 percent) and Venezuela (about 170,000 miles—over 1,500 percent). These countries have established substantial intercontinental operations. Since 1940, the airlines of Mexico and Cuba have also shown marked increases in scheduled operations, amounting per week to over 220,000 miles (300 percent) and over 70,000 miles (500 percent), respectively. The total scheduled mileage in early 1949 for all Latin American airlines amounted to slightly less than 20 percent of the mileage flown by all US scheduled domestic and international carriers and about 11 percent of the world total (exclusive of the USSR) of scheduled operations.

Despite pronounced postwar expansion of operations, Latin American airlines have been limited by the general lack of public funds throughout the area, and by the severe dollar shortages which have affected most Latin American countries during the last two years. Government plans for badly needed development and improvement of airports, radio aids to navigation, and meteorological and com-

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munications facilities have had to be realistically adjusted to national budgets. Many airlines, therefore, have been forced to develop air installations at their own expense. As indicated above, moreover, the recent dollar shortage has also, by preventing the purchase of desired new equipment from the US, to some extent limited the expansion of airline operations.

Increase in Operations of Foreign Airlines in Latin America. The growing capability of Latin American carriers to provide services throughout Latin America and to Europe and the US has created an increasingly competitive situation for foreign airlines operating to Latin America. In addition, the postwar inauguration of Latin American operations by six European carriers has gradually dissipated the monopoly of foreign-flag services enjoyed immediately after the war by the US in that area. In spite of these developments, the postwar Latin American operations of US scheduled airlines have expanded considerably, partly as a result of the addition of new routes, but principally because of the greatly increased frequency and capacity of services offered. Moreover, despite the growth of Latin American-flag services, the scheduled mileage of US-flag airlines operating in Latin America in 1949 was still about 50 percent of the domestic and international mileage of all Latin American-flag scheduled airlines combined.

2. Governmental Policy toward Civil Aviation.

With respect to the civil aviation policies of Latin American countries, the principal postwar trends which affect US interests reflect the increased capabilities of Latin American air interests to provide adequate air transport services. The development of national-flag aviation has resulted in a growing Latin American independence of foreign influence in aviation matters and a desire to protect national airlines from intensive foreign competition in international operations. In domestic operations, moreover, all but two of the Latin American countries which granted cabotage privileges to foreign airlines have withdrawn such rights, thus reserving domestic air traffic to national interests.

Government Promotion of Continued Expansion. Many Latin American countries are

promoting the development of adequate air services to all parts of their territories and in this respect are encouraging their domestic air carriers by means of air-mail contracts and other forms of direct or indirect subsidy. Modern airports and other operational facilities in many instances are being developed at government expense. Private flying is also promoted through government support of aero clubs. These programs are already being limited, however, by a growing shortage of public funds in some Latin American countries and by the increasing cost of all phases of civil aviation. As a result, these countries will probably be unable for some time to initiate over-all development programs, and construction or improvement of facilities may be restricted to the most essential projects. Nevertheless, the announced plans of various Latin American airlines indicate that there will continue to be some expansion of both domestic and international air routes and frequencies. Latin American governments will continue to seek US advice and assistance in technical training of Latin American airline personnel until national capabilities have been further developed.

Protection of International Carriers. In addition to the foregoing positive support of both domestic and international airlines, a number of Latin American countries have adopted policies designed to protect their national-flag carriers, operating internationally, from intensive foreign competition. Attempts have been made during negotiations for air transport agreements with other countries to neutralize the competitive advantage of heavily-subsidized foreign airlines by restricting their traffic privileges in Latin America (see below, "Policy Toward International Arrangements").

Policy Toward International Arrangements.

Multilateral Air Transport Agreements. Having generally similar aviation interests, the Latin American countries represented at multilateral air transport conferences have voted practically as a bloc. Because they lack the financial and technical resources to meet intensive competition for a limited amount of international air traffic, these countries have opposed multilateral agreements on in-

ternational air traffic rights which included Fifth Freedom privileges, and have insisted on retaining discretionary powers in such matters. For example, this attitude on the part of Latin American countries was partially responsible for the failure in 1947 of a special International Civil Aviation Organization (ICAO) Commission convened for the purpose of negotiating such an agreement. There appears to be little likelihood, moreover, that this attitude will undergo a change in the foreseeable future.

Bilateral Air Transport Agreements. In contrast to their opposition to multilateral agreements of a liberal type, Latin American countries have concluded forty-three bilateral air agreements which, for the most part, conform to the basic principles of the Bermuda pact. (See Table C.) The substantial post-war expansion of both Latin American-flag international operations and foreign-flag services to Latin America necessitated the conclusion of thirty-five agreements involving non-Latin American countries, principally the US and UK. The other eight agreements govern civil air relations within the Latin American area.

Two leading Latin American civil air powers, Mexico and Argentina, have consistently attempted to protect their international carriers by pursuing policies designed to restrict foreign-flag operations in their territories, either through limitation of flight frequencies or a predetermined division of traffic. Mexico, whose international airlines are at present in the early stages of development, has successfully maintained its restrictive policy with the result that it has concluded only two bilateral air agreements. Argentina, on the other hand, with numerous foreign routes and plans for further expansion, has been forced in several cases to accede to more liberal principles demanded by other countries in order to obtain desired foreign landing rights for its own international airline.

In contrast to Argentina and Mexico, Brazil, whose principal international carrier is well able to compete with foreign airlines, has not pursued a restrictive air policy, but has signed eleven bilateral agreements of a liberal type. While Colombia and Venezuela, whose flag air-

lines operate less extensive international routes, have not yet attempted any major restriction of foreign airlines, there are indications that they may wish to do so if they become convinced that the ability of their airlines to compete successfully on international air routes is threatened by strong foreign competition. The remaining Latin American countries are not yet conducting significant international air operations and therefore have had little reason thus far to adopt protectionist measures for their national-flag enterprises. The already demonstrated opposition of these countries to a multilateral exchange of Fifth Freedom privileges, however, indicates the strong possibility that their relative financial and technical weakness in civil aviation will cause them to attempt some limitation of foreign competition when they are in a position to initiate their own international services. On the other hand, these countries may eventually find it necessary to follow the example of Argentina in order to obtain minimum desired rights in other countries for their own air carriers.

The US and UK, the two principal proponents of the Bermuda principles, have been particularly successful in promoting Bermuda-type air agreements in Latin America. The US has concluded eleven such agreements throughout the area, including all the larger countries except Mexico. The UK, for its part, has negotiated six Bermuda-type agreements in Latin America, in addition to a restrictive agreement signed with Argentina prior to the Bermuda pact.

International Organizations. The Fifteen Latin American members of the International Civil Aviation Organization participate in its proceedings as actively as their financial and technical resources permit. Four of these members, however, were censured during 1949 for failure to meet their financial obligations to the organization. Financial difficulties have been largely responsible for failure of the other five Latin American countries to join the organization.

Nine international airlines of seven Latin American countries are active members of the international carriers' organization, the International Air Transport Association.

TABLE A
EQUIPMENT OF LATIN AMERICAN SCHEDULED AIRLINES

	1940	1947	1949
(1) Total aircraft.....	205	622	691
(2) US Manufacture:			
No. of aircraft.....	127	535	604
Percent of total.....	62	86	88
(3) UK Manufacture:			
No. of aircraft.....	Included in Item (5) for 1940	39	58
Percent of total.....		6	8
(4) Axis Manufacture*:			
No. of aircraft.....	40	Included in Item (5) for 1947	Included in Item (5) for 1949
Percent of total.....	20		
(5) Other Manufacture:			
No. of aircraft.....	38	48	29
Percent of total.....	18	8	4
(6) 4 Engine aircraft.....	2	38	60
(7) 3 Engine aircraft.....	69	19	11
(8) 2 Engine aircraft.....	96	454	528
(9) 1 Engine and unidentified a/c.....	38	111	92
(10) Modern US aircraft**.....	23	296	456

* Item (4), showing aircraft of German or Italian manufacture, is included to demonstrate Axis influence in prewar Latin American civil aviation. For the postwar years, 1947 and 1949, the relatively small number of these aircraft remaining in service is included under "other" in Item (5).

** Item (10) includes aircraft of US manufacture which are at least as modern and as large as the DC-3, and are currently in use by US civil and military air carriers. Specifically: DC-3, DC-4, DC-6, C-46, Convair 240, Martin 202, Constellation.

TABLE B
COMPARATIVE WEEKLY SCHEDULED MILEAGE OF AIRLINES

	1940	1947	1949
Latin American Airlines, Total.....	323, 602	1, 381, 279	1, 650, 827
US Airlines in Latin America.....		827, 796	843, 097
US Airlines, Total.....		7, 607, 000	8, 489, 000
World Airlines, Total (excluding USSR).....		12, 424, 000	15, 066, 000

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TABLE C
INTERNATIONAL AIR AGREEMENTS
CONCLUDED BY LATIN AMERICAN
COUNTRIES

ICAO	ARGENTINA	BOLIVIA	BRAZIL	CHILE	COLOMBIA	ECUADOR	PARAGUAY	PERU	URUGUAY	VENEZUELA	MEXICO	COSTA RICA	CUBA	DOMINICAN REPUBLIC	EL SALVADOR	GUATEMALA	HAITI	HONDURAS	NICARAGUA	PANAMA	U.S.	T.R.	FRANCE	NETHERLANDS	SCANDINAVIA**	ITALY	BELGIUM	PORTUGAL	SPAIN	SWITZERLAND	LEBANON
Argentina	V		B B																			B C C B B C	C C								
Bolivia	V		B																			B									
Brazil	V B		B																			B B B B B	B * B B								
Chile	V B B B		B																			B B N									
Colombia	V							N														A B N									
Ecuador																						B									
Paraguay	V																					B									
Peru	V		B																			B B B N									
Uruguay																						B B B									
Venezuela	V								N													B									
Mexico	V																														
Costa Rica																						N N N									
Cuba	V																					B									
Dominican Republic	V																														
El Salvador	V																														
Guatemala	V																														
Haiti	V																														
Honduras																															
Nicaragua	V																														
Panama																															
U.S.	V B B B A B B B B B																					B									

A—Prewar

B—Bermuda Type

C—Split Traffic/Restrictive

U—Unknown Type

N—Company-Government

V—ICAO Member

* The Brazil-Spain agreement, signed 28 November 1949, is ostensibly a Bermuda-type bilateral, but appears to contain some restrictive provisions.

** Norway, Denmark, Sweden.

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TABLE D
OWNERSHIP OF AIRLINES
South America

COUNTRY	PERCENTAGE OF OWNERSHIP			REMARKS
	U.S.	Nationals	Govt.	
Argentina:				
Aeroposta.....			100	
ALFA.....			100	
FAMA.....			100	
LADE.....			100	
ZONDA.....			100	
Bolivia:				
LAB.....	20*	25	55	*Panagra
Brazil:				
Aero Geral.....		100		
Aerovias Brasil.....	9*	91	**	*9% U.S. interest held by TWA. ** VASP bought 82% interest in 2/49, resold in 2/50.
LAP.....		100		
LATB.....		100		
PAB.....	48*	52		* PAA
REAL.....		100		
VARIG.....		100	*	* Govt. of Rio Grande do Sul holds 21%
Cruzeiro.....		100		
SAVAG.....		100		
VASP.....		100	*	* Govt. of city and state of Sao Paulo holds 75%
British Guiana:				
BGA.....	100*			* U.S. citizen
Chile:				
LAN.....			100	
Lipa-Sur.....		100		
Colombia:				
AVIANCA.....	47.7*	49.1	2.8	.4 other, * PAA
LANSA.....		99.5		.5 foreign
SAETA.....	*	100		* 30% held by AVIANCA
AEROTAXI.....	*	100		* 100% held by AVIANCA
AFRYPESCA.....				Unknown
Ecuador:				
ATECA.....		100		
TRASANDINA.....		100		
Paraguay:				
LATN.....			100	
Peru:				
ANDES.....	*			* No information on percentages. Peruvians believed to hold controlling interest. Some US capital.
Faucett.....	25*	75		* PAA
TAM.....			100	
Uruguay:				
CAUSA.....		100		
PLUNA.....			100	
Venezuela:				
AVENSA.....	37.05*	55.45	7.5**	* PAA ** LAV
TACA de VENEZUELA.....	45*	42.8	12.2**	* TACA system controlled by Waterman Steamship Corp. of the US, **LAV
LAV.....			100	

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TABLE E
OWNERSHIP OF AIRLINES
Middle America

COUNTRY	PERCENTAGE OF OWNERSHIP			REMARKS
	U.S.	Nationals	Govt.	
<i>Bahamas:</i>				
BAL.....		100*	...	* British - wholly-owned subsidiary of BOAC.
<i>Costa Rica:</i>				
LACSA.....	40*	40	20	* PAA
Occidentales.....	100*	.....	...	* US Citizen
TACA de CR.....	(?)	100*	...	* Sold by TACA System to 2 residents of Costa Rica 5/48. Costa Rican owners may be backed by US capital.
<i>Cuba:</i>				
Aerovias "Q".....		100	...	.....
Cubana.....	48*	52	...	* PAA
Expreso*.....	39. 54	60. 46	...	* US Citizen
Aeropostal.....		100	...	.....
Aerovias de America.....		100	...	.....
<i>Dominican Republic:</i>				
CDA.....	40*	60	...	* PAA
<i>El Salvador:</i>				
TACA El Salvador.....	98*	.....	...	* Almost wholly owned by TACA Airways, S.A., in turn controlled by Waterman Steamship Corp. of the US
<i>Guatemala:</i>				
Aviateca.....			100	.....
<i>Haiti:</i>				
Garde d'Haiti.....			100	.....
<i>Honduras:</i>				
SAHSA.....	40*	40	20	* PAA
TACA de Honduras.....	(?)	100	...	* Sold by TACA System to 2 residents of Honduras 2/48. Honduran owners may be backed 73% by US capital.
<i>Jamaica:</i>				
BCA.....			100*	* Purchased by BOAC from Jamaican owners in October 1949.
CIA.....		100*	...	* British citizen
<i>Mexico:</i>				
Aeronaves.....	40*	60	...	* PAA
Aerovias Guest.....	37*	63	...	* US Citizen
ALASA.....	*	100	...	* Controlling interest believed to be held by US Citizens
ATSA.....	38*	62	...	* 2 US Citizens
CMA.....	41*	59	...	* PAA
Contreras.....		100	...	.....
GPA.....		100	...	.....
Jalisco.....		100	...	.....
LAMSA.....	100*	.....	...	* United Air Lines and US citizens. Preferred Stock: 100% UAL; Common Stock: 83.2% UAL, 16.8% US Citizens.
Panini.....		100	...	.....
Reforma.....		100	...	.....
TAMSA.....		100	...	.....
TAT.....		100	...	.....
<i>Nicaragua:</i>				
La Nica.....	40*	40	20	* PAA
<i>Panama:</i>				
COPA.....	33*	67	...	* PAA
<i>Puerto Rico:</i>				
Caribbean-Atlantic.....	100*	* US Citizens
<i>Trinidad:</i>				
BWIA.....		100*	...	* British—wholly-owned subsidiary of BOAC

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APPENDIX A

ARGENTINA

1. Government Organization for Civil Aviation.

Governmental jurisdiction over the various phases of civil aviation in Argentina is divided between the Ministry of Transport and the Ministry of Air. Following the creation of the Ministry of Transport in June 1948, the Directorate of Commercial Aviation was separated from the Ministry of Air and transferred to the new organization. With the exception of regulation of commercial aviation, however, all Argentine aviation activities fall under the jurisdiction of the Ministry of Air. The two Ministries have the following general responsibilities:

<i>Ministry of Transport</i>	<i>Ministry of Air</i>
Railroads	National Meteorological Service
Inland River Shipping	Institute of Aeronautical Medicine
Overseas Shipping	Airport Construction and Maintenance *
Roads	Air Traffic Control
Commercial Aviation	Accident Investigation (other than commercial)
	Aircraft Industry (Cordoba)
	Air Force

When the Argentine airlines were nationalized in May 1949, they were placed under the direction of the Ministry of Transport. Resentment of the Ministry of Air over the changes which reduced its power and rivalry between the two Ministries in the field of transportation have adversely affected the Argentine Government's administration of aviation matters. Military officers hold the majority of key posts in both Ministries and

* The new international airport at Ezezia has been placed under the Ministry of Transport.

thus exercise almost complete control over civil aviation policy.

Among the several temporary or permanent commissions which have been established to deal with civil aviation are: (1) an advisory council whose responsibility is to coordinate the activities of all government organizations on matters affecting international civil aviation, with particular reference to Argentina's membership in the International Civil Aviation Organization (ICAO), and to advise the Minister of Air thereon; and (2) a temporary Air Transport Advisory Council which is to study the position of commercial aviation in Argentina in relation to the over-all transport requirements of the country.

2. Domestic Civil Aviation Policy.

Argentina's desire to bring its aviation up to the level of the most advanced air nations of the world has produced a nationalistic air policy designed to promote Argentine civil aviation and to develop a self-sufficient industry capable of serving the needs of both military and civil aviation in Argentina.

a. Civil Aviation Legislation.

The Basic Air Policy of the Argentine Government was outlined in Decree No. 9358/45 of 27 April 1945, which stated the following principles:

- (1) Domestic airline operations should be undertaken preferably by the government directly and otherwise by mixed companies which include substantial government participation.
- (2) International aviation should be governed by bilateral reciprocity.
- (3) Infrastructure (airports and all other ground facilities) should belong exclusively to the government.
- (4) Eventually, all shareholders and employees of Argentine airlines should be native Argentines.

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By-laws of this decree outlined details of organization of the mixed companies which operated Argentina's air services until nationalization of all airlines in May 1949, well ahead of the generally anticipated schedule.

Early in 1949, a commission composed of representatives of the various government departments concerned was charged with drawing up a draft Civil Aviation Code, as well as regulations to govern civil air affairs. Until this project can be concluded and officially approved, however, aviation matters will continue to be administered by directive and decree. Government action taken to date includes reclassification of Argentine airports to conform with ICAO recommendations, establishment of a new scale of landing charges, and issuance by decree of aircraft registration regulations.

b. Regulation of Argentine Airlines.

In accordance with the first item of the Basic Air Policy, four mixed airline companies were decreed early in 1946. FAMA (30 percent government-owned) operated only international services, while Aeroposta, ALFA, and ZONDA (each 20 percent government-owned) provided primarily domestic service. Government control over management and operations was so rigid, however, that the private interests were unable to exercise effectively their prerogatives, with the result that these companies never actually operated as mixed companies. On the pretext that this form of organization was uneconomic and had caused severe financial losses (covered by government subsidy), nationalization of the mixed companies was decreed in May 1949. All private shares were paid off and operational reorganization designed to bring about the desired economies was announced in October 1949. (See Section 4, Airlines.) There has been no foreign capital participation in Argentine airlines since the end of the war.

Non-scheduled operators are definitely discouraged and permits are issued only when the services to be performed are of such a nature that they cannot be conducted by the scheduled carriers.

Direct government control over airline operations has effectively prevented competition within the country. Prior to nationalization

and reorganization of the Argentine airline network, competition was avoided by limiting the number of air transport companies and fixing the areas within which each was to operate. Each of the three domestic airlines was assigned to a specific region. Although this policy avoided competition, it also prevented realization of a unified national air network. Reorganization measures, however, have combined the three former domestic airlines into a single carrier providing improved service.

c. Regulation of Foreign Airlines.

Argentina terminated all cabotage rights for foreign airlines on 2 January 1947. The rights now enjoyed in Argentina by foreign airlines are determined on the basis of formal bilateral air agreements. The "regional (international) cabotage" policy of Argentina is discussed below in Section 3 under the heading "International Civil Aviation Policy."

d. Promotion of Other Civil Aviation Activity.

In compliance with the Basic Air Policy, all airports and air navigational facilities in Argentina have become the property of the government and are controlled by the Ministry of Air. This also applies to meteorological stations and aerial cartographic offices. Under the Argentine Government's five-year plan of 1947, the State has undertaken an extensive airport building and development program.

Aero club training and flying is facilitated by substantial government subsidy and technical aid. The State, however, retains strict and complete control over these operations, which are designed to fit into the pattern of military training. All other aeronautical training is under direct military supervision.

While Argentine aviation policy theoretically encourages private investors to participate in the aircraft manufacturing industry, virtually all of this function is actually performed by the State. Argentina's announced objective is to build a self-sufficient aircraft manufacturing industry by 1951. It will be many years, however, before Argentina can approach this goal. In the meantime, all transport aircraft must be purchased abroad.

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A lack of modern machine tools, technical and scientific knowledge, and skilled labor has impeded Argentine aircraft manufacturing efforts to date. The principal emphasis of the research and construction program has been placed on military aircraft development, which absorbs the major portion of the limited available resources. A number of aviation scientists from several European countries, for example, are working almost exclusively on military aircraft projects. Moreover, the Argentine Government has made poor use of the many skilled Italian workers who have recently immigrated.

While many Argentine industrial plants contribute indirectly to aircraft manufacture, only three or four are engaged in the final production of aircraft. Of these, only two are private organizations and their limited output is devoted to small aircraft. These concerns are: Petrolini Hermanes, S.A., which has built a number of 150-hp. tandem trainers, and IMPA (Industria Metalurgica Plastica Argentina), which is at present doing assembly work and manufacture of small parts. A twin-engine five-passenger transport is reportedly under construction by the latter. Argentina's productive capacity, therefore, is centered almost entirely in the projects of the Aerotechnical Institute at Cordoba. This government-operated enterprise was originally established principally for research and development, but the lack of government encouragement and assistance to private concerns has resulted in Cordoba's assumption of virtually the entire construction burden. Its projects are now almost exclusively military, although its future program includes construction of a twin-engine ten-passenger transport and a prototype four-engine transport. Argentina, however, does not yet possess adequate equipment to make the necessary high-stress material and structural tests for the production of transport aircraft comparable to those now being produced by the US and UK. Although Cordoba has been represented by the Argentine Government as the nucleus of a great national aircraft industry, it is possible that its principal mission for some time to come will actually be to develop the technical knowledge

required in Argentina for the effective purchase of foreign aircraft.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

In order to minimize foreign competition with its international carrier, FAMA, Argentina has not only consistently resisted granting Fifth Freedom traffic rights, but has also attempted to protect FAMA by seeking air agreements on the basis of a predetermined division of traffic. Some Argentine agreements have gained advantages for its carrier in this respect, but, in general, Argentina has been forced to accede to more liberal agreements granting full traffic rights in order to secure satisfactory reciprocal rights.

Under its "regional (or international) cabotage" theory (decreed 12 September 1947, although pronounced and promoted earlier), Argentina attempted to create and become the leader of a regional bloc including Chile, Uruguay, Paraguay, Peru, and Bolivia, in which all mail and passenger traffic between points within the region would be reserved to airlines of the countries comprising the bloc. However, Argentine efforts to create such a restrictive bloc within the neighboring area were effectively frustrated by the defection of Chile, which concluded a full Five Freedoms agreement with the US in May 1947, and failed to support Argentine attempts to secure international recognition of the regional bloc. Argentina itself was forced to modify its position in negotiations with the US and also concluded a Fifth Freedom agreement in May 1947. This agreement, however, has never been fully effective as a result of Argentine intransigence with respect to conclusion of the requisite route annex to the agreement. In view of FAMA's present requirement for US landing rights, Argentine obstructionism may soon be withdrawn.

Argentina has concluded restrictive type bilateral agreements with the UK (May 1946), Portugal and Spain. Although the agreements with France and Italy may also be susceptible of restrictive interpretation, other Argentine agreements, including those with the Netherlands and the Scandinavian countries, are of a liberal nature generally similar to that

concluded with the US. (See attached chart on Latin American bilateral air agreements.)

b. International Organizations.

Argentina was the only Latin American country not invited to the 1944 Chicago Conference at which the Convention establishing ICAO was adopted. Since it adhered to the Convention on 4 June 1946, however, Argentina has participated actively in ICAO. Argentina's international airline, FAMA, is an active member of the International Air Transport Association (IATA).

c. US Technical Assistance.

Because of its Axis-oriented policy during World War II, Argentina did not benefit from the US-sponsored Inter-American aviation training and technical assistance programs. Moreover, it has not taken advantage of the opportunity to request US air or technical missions during the postwar period.

4. Airlines.

a. Argentine Scheduled Airlines.

Before 1945, the airlines of Argentina were wholly privately owned. The Argentine Air Policy Law of 1945, however, made government participation in the airlines compulsory. Under this and subsequent decrees, three domestic carriers and one international airline were established. Until nationalization of these airlines in May 1949, the government held 20 percent of the capital of the domestic mixed companies, Aeroposta, ALFA, and ZONDA, and 30 percent of the capital of FAMA, the international "chosen instrument." The Dodero shipping and trading interests held a large part of the private stock of these companies.

Nationalization of the mixed companies, involving sale of all private shares to the government was decreed in May 1949, ostensibly because the mixed-company form of organization was uneconomic and resulted in severe financial losses which the state had to assume.

In order further to reduce administrative costs and improve services, the Argentine Government in November 1949 initiated an extensive reorganization of the nationalized airlines. All four carriers were merged into

a single state entity known as Aerolineas Argentinas. FAMA continues to be the instrument for transoceanic and major international operations, while domestic and regional international services are conducted under the name of Aeroposta. ALFA and ZONDA have ceased to exist. Until the necessary changes in power plants, panel instrumentation, and radio equipment can be effected to make the equipment of the three former airlines interchangeable, operations will continue very much as in the past although functioning under a single administration and management.

The military air transport line, LADE, has been maintained for pioneering new routes, for relieving the load on internal routes at peak traffic periods, and for operation of "national interest" services of little commercial interest to the regular airlines.

Dollar exchange difficulties have seriously hampered Argentine efforts to acquire and maintain new US equipment. Utilization of FAMA's DC-6 aircraft has been severely restricted by lack of spare parts. An Argentine order for five Convair 240 aircraft, moreover, has been subject to extended negotiations and has not yet been fulfilled because of lack of dollar exchange.

(1) *Aeroposta (Empresa Aerocomercial del Estado Aeroposta).*

Routes: Aeroposta serves the southern portion of Argentina, below an arbitrary line extending from Buenos Aires in a generally southwest direction to the Chilean boundary. This area includes the agricultural and sheep-raising areas, as well as the Argentine lake region.

Equipment:

6 DC-3
2 C-47
5 JU-52/3 m

Ownership: Government. Formerly a mixed company, re-organized in 1947 from an earlier privately-owned Aeroposta.

(2) *ALFA (Empresa Aerocomercial del Estado ALFA).*

Routes: ALFA serves the northeastern part of Argentina, with Buenos Aires as the southern terminus. International routes are operated to Asuncion and Montevideo.

AIRLINES OF ARGENTINA (October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
AEROPOSTA	4,089	36,862	13	100% Govt.
ALFA	2,976	18,658	26	100% Govt.
ZONDA	2,185	37,868	17	100% Govt.
LADE	1,886	12,812	21	100% Govt.
FAMA	9,166	44,876	20	100% Govt.
TOTAL	20,302	151,040	97	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

ORE Tr-350

Equipment:

- 5 DC-3
- 2 Beechcraft C-45
- 6 Cessna C-78
- 2 Stinson Voyager
- 1 Grumman Goose
- 6 Noorduyt Norseman
- 4 Short Sandringham

Ownership: Government. Formerly a mixed company, reorganized in 1946 from the private "Corporacion."

(3) ZONDA (*Empresa Aerocomercial del Estado ZONDA*).

Routes: ZONDA serves the densely populated agricultural region of central Argentina with three routes, and the sparsely populated northwestern region with one route. ZONDA has taken over the cabotage services formerly provided by the US airline PANAGRA, on two routes: Buenos Aires-Cordoba-Mendoza; and Buenos Aires-Cordoba-Tucuman-Salta.

An international route is also operated, as an extension of the Buenos Aires-Mendoza route, to Santiago, Chile. With this route, ZONDA supplements FAMA's Buenos Aires, Santiago nonstop service by providing international service to the intermediate cities.

Equipment:

- 16 DC-3
- 1 Avro Anson

Ownership: Government. Formerly a mixed company set up in February 1946.

(4) LADE (*Lineas Aereas del Estado*)

Routes: LADE was established to operate feeder routes throughout Argentina, supplementing the trunk routes of Aeroposta, ALFA, and ZONDA. Operations are at present confined to the central part of the country, which includes the entire pampas agricultural region, except for one route extending into the foothills of the Andes at Bariloche and San Juan.

Equipment: (Not included in the summary table of Latin American airline equipment, since LADE is operated by the Argentine Air Force and uses some Air Force transport planes.)

- 1 DC-3
- 1 Lockheed Electra
- 15 JU-52 3 m
- 2 Dewoitine 338
- 2 Dewoitine 333

Ownership: Government. Preceded by another airline of the same name, also operated by the Air Force. The routes of the old LADE have been taken over by other airlines, and the present LADE has established new routes.

(5) FAMA (*Empresa Aerocomercial del Estado FAMA*).

Routes: As Argentina's designated "chosen instrument," FAMA has the right to operate

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all international routes. It operates all the long distance international services, but several routes to neighboring countries have been allocated to the "domestic" airlines.

FAMA's intercontinental routes connect Buenos Aires with the capitals of Spain, Italy, France, and the UK. These connections are made over two routes, both having a segment in common as far as Madrid (Buenos Aires-Rio de Janeiro-Natal-Dakar-Villa Cisneros-Madrid). At Madrid the routes branch, one continuing to Paris and London, the other to Rome. It is planned to extend the latter route to the Near East. FAMA has an application pending before the US Civil Aeronautics Board for a route from Buenos Aires to New York via Sao Paulo or Rio de Janeiro, Belem, Port of Spain, and Habana. Continental routes operated by FAMA are: Buenos Aires-Santiago, Chile, and Buenos Aires-Porto Alegre-Sao Paulo-Rio de Janeiro.

Equipment:

- 6 DC-6
- 6 DC-4
- 5 Vickers Viking
- 2 Avro York
- 1 Lancastrian

Ownership: Government. Formerly a mixed company set up in February 1946. FAMA is

a member of the International Air Transport Association.

b. Foreign Scheduled Airlines.

Argentina is served by two US companies, Pan American World Airways (via the east coast of South America) and PANAGRA (via the west coast). Moreover, a third US airline, Braniff International Airways, hopes to extend its Latin American service to Buenos Aires, via Asuncion, in the near future.* The following other foreign operators also serve Argentina:

European:

- BOAC (British Overseas Airways Corporation) (via both coasts)
- Air France
- KLM (Royal Dutch Airlines)
- SAS (Scandinavian Airways System)
- ALITALIA (Italy)
- IBERIA (Spain)

Latin America:

- Cruzeiro do Sul (Brazil)
- Panair do Brasil
- CAUSA (Uruguay)
- LAN (Chile)

* Braniff service over this route began during June 1950.

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APPENDIX B

BOLIVIA

1. Government Organization for Civil Aviation.

Civil aviation in Bolivia is the responsibility of a Director General of Civil and Commercial Aeronautics acting under the jurisdiction of the Minister of Public Works and Communication. A Special Aeronautics Commission, headed by the Foreign Minister and including other present and past members of the government, was appointed in May 1948, to study the aviation scene in Bolivia. Its report was submitted in April 1949, but has not yet been approved by the Cabinet. With respect to administration of Bolivian civil aviation, the report recommends creation of a government-controlled airport administration authority, which would gradually assume control of all Bolivian airports, and establishment of a national council of aviation similar to the US Civil Aeronautics Board.

2. Domestic Civil Aviation Policy.

The report of the Special Aeronautics Commission represents the thinking of officials whose opinions carry considerable weight with respect to air matters and hence is a fairly accurate guide to Bolivian air policy. In addition to its recommendations concerning administration, the Commission also recommended that the surplus transport aircraft of the military Air Transport Squadron (ETA), which has flown some routes commercially, should be transferred either to the principal established airline, Lloyd Aero Boliviano (LAB), or to a new government-controlled commercial company. The Commission indicated, however, that it preferred creation of a new Bolivian airline, which would not compete with LAB over the same routes. The services now operated within the country by the US carrier, PANAGRA, would not be adversely affected. The report comments cautiously that cabotage, in principle, should be

reserved for domestic companies, but that circumstances may make it desirable to depart from this principle; therefore no rigidly nationalistic policy should be adopted. Subsidization is endorsed as an essential means of shaping the development of the industry and of giving it the financial support necessary to assure a reasonable profit. Competition, the report points out, is desirable but must be carefully controlled in the interest of both the public and the aviation industry.

a. Civil Aviation Legislation.

The administration and regulation of aviation in Bolivia was organized under the basic law of 25 October 1947, which transferred control over Bolivian civil aviation from military to civil authorities, and established the Directorate General of Civil and Commercial Aviation. A Decree of 20 May 1948 and a Supreme Resolution of 7 August 1948 supplemented this law. New aviation regulations prepared by the Directorate have not yet been approved. Government relations with the domestic and international airlines are established on a contract basis.

b. Regulation of Bolivian Airlines.

Bolivian policy favors government participation in airline companies, as reflected by the above-mentioned report and by the government's present ownership of a 55 percent interest in LAB. Subsidization of airlines (LAB and PANAGRA), air facilities and aero clubs has been practiced in the past and appears to be an accepted policy. Nationalization of Bolivian airlines is recognized as being beyond Bolivia's financial means, however, and probably would not be attempted except in an emergency. Controlled competition is favored at present, although LAB enjoyed a monopoly of domestic air services (PANAGRA cabotage services excepted) until flight authorization was granted the Bolivian Development Corporation in September 1947.

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c. Regulation of Foreign Airlines.

Bolivia and Ecuador are the only Latin American countries which still permit foreign airlines to operate cabotage services. The US airline, PANAGRA, serves some eight towns within Bolivia in addition to its international route through Bolivia, which stops only at La Paz. This privilege is interpreted by Bolivia as a temporary concession, until such time as the domestic airlines are in a position to extend their services sufficiently to replace the foreign cabotage services.

d. Promotion of Other Civil Aviation Activity.

By the same law (25 October 1947) which created the Directorate General of Civil and Commercial Aviation, the executive branch of the Bolivian Government was authorized to proceed with the expropriation of air strips built within the country by private enterprise. The expropriated fields belong to the State, which has authorized LAB and PANAGRA to build facilities and administer the airports under contract, including some subsidy. According to LAB's present contract with the government, its twenty airfields will pass to the operational control of the State on 31 December 1951, with no compensation for the investments made. PANAGRA will be compensated for the investments it has made, whether its facilities are taken over before or upon expiration of its present contract (which runs to 1 April 1967).

There is no airframe or engine industry in Bolivia.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Because of Bolivia's landlocked position, civil aviation is of key importance to the country. Bolivian policy with respect to international aviation has favored almost complete freedom of the air. The two bilateral air agreements concluded by Bolivia have been with Chile and the US and are both Fifth Freedom agreements.

b. International Organizations.

Bolivia is a member of the International Civil Aviation Organization (ICAO), but has lacked the funds to send a delegation to most ICAO meetings. Furthermore, it was among

four Latin American members whose voting power was suspended by the 1949 ICAO Assembly for failure to meet their financial obligations.

c. US Technical Assistance.

A CAA technical assistance mission has been assigned to Bolivia since early in 1948.

4. Airlines.

Domestic services in Bolivia are provided by LAB, PANAGRA, ETA, and the Air Transport Company of the Bolivian Development Corporation.

LAB was organized in 1925 and operated under German influence until 1941, when the Bolivian Government acquired 48 percent of the stock. The company was operated under contract until 1946 by PANAGRA, which put LAB operations on an efficient, safe basis. Upon termination of this contract, the company was partially reorganized and the government assumed a controlling interest of the stock.

ETA has been ambitious to use its eight DC-3's in expanded commercial operations within Bolivia. The Bolivian Development Corporation service, which uses two C-46 cargo planes, is a minor operation almost entirely limited to the La Paz-Reyes route. If accepted, the Special Aeronautics Commission's recommendation that the equipment of both ETA and the Development Corporation be transferred to LAB or to a new commercial company controlled by the government will reduce the possibility of competition in commercial air transport between the Defense Ministry (which controls ETA) and the Ministry of Public Works (which controls LAB and the aviation activities of the Development Corporation). Establishment of a new commercial air transport company, which the Commission considered preferable, would create indirect and controlled competition for LAB, with both carriers under the jurisdiction of the same government regulatory bodies.

a. Bolivian Scheduled Airlines.

(1) LAB (Lloyd Aereo Boliviano)

Unduplicated	Miles Scheduled
Route Miles	Per Week
4,010	15,932

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Routes: LAB operates only within Bolivia, its routes extending the length of Bolivia from north to south, and from La Paz in the west to Santa Cruz in the east. The western part of LAB's network serves principally the populous "altiplano" region; the eastern part of its network serves the lowlands from near the Brazilian border in the north to the Argentine border in the south.

Equipment:

7 DC-3

1 C-46

(During the recent revolt in Bolivia, 1 DC-3 was destroyed and two others were flown to Argentina by the rebels. As of October 1949 LAB had only 4 DC-3 aircraft and 1 C-46 available for service).

Ownership:

Government—55 percent

Nationals—25 percent

US (PANAGRA)—20 percent

b. PANAGRA.

In addition to its international routes, PANAGRA serves the eastern part of Bolivia over two cabotage routes extending to the Brazilian border and thence to Campo Grande, Brazil.

5. Foreign Scheduled Airlines.

The international routes of PANAGRA connect Bolivia with Peru, Chile, Argentina, and Brazil.

Early in 1949, a second US airline, Braniff Airways, instituted its west coast service (Balboa-Guayaquil-Lima-La Paz) and in March established a non-stop Lima-Rio de Janeiro service overflying Bolivia. Panair do Brasil, which plans to operate a reciprocal Rio de Janeiro-Lima service overflying Bolivia, has not yet begun operations over this route.

APPENDIX C

BRAZIL

1. Government Organization for Civil Aviation.

In order to fulfill the provisions of the Brazilian Air Code, an Air Ministry was created on 20 January 1941 to direct all aviation activity in Brazil, both civil and military. Control over civil air affairs was vested in various divisions of the Air Ministry having the following general functions:

(a) *Directory of Civil Aeronautics*—responsible for all legal, technical, and administrative problems except the operational control of air traffic; inspects aviation clubs, air schools and air transport companies, and issues certificates and licenses on the basis of directives from the Directory of Supply.

(b) *Directory of Supply*—responsible for inspecting aircraft. This is a military office.

(c) *Directory of Air Routes*—responsible for organization and operation of airports, airway traffic control, and communication and meteorological services. This is primarily a military organization.

(d) *Air Staff*—a policy and planning agency, which functions only through the Minister of Air.

(e) *Five Air Zone Commanders*—military officers primarily concerned with military matters, but exercising authority over civil air affairs in their territories in a manner comparable to that of US Civil Aeronautics Administration regional administrators.

In June 1949, an Air Route Licensing Board was created by the Directory of Civil Aeronautics for certification of domestic airline routes. This body, similar to the US Civil Aeronautics Board, deals with route requests, regulates flight frequencies and traffic stops, and handles "all other questions" of Brazilian air transport.

International air policy is determined by a special committee (the CERNAI), which is

dominated by the Air Ministry, although there is token representation of the Foreign Office.

The chart on following page shows the relationship between the various functional units of the Brazilian Air Ministry.

Through its Air Ministry, Brazil has at present probably the most extensive aviation organization of any country in Latin America. The Air Ministry's primarily military character, with military men holding the majority of key posts, is attributable in part to its creation on the eve of war and to the strategic nature of the duties which were pressed upon it during the following four years.

In a decree of 16 September 1946, President Dutra set forth the objectives and responsibilities of the Ministry:

(a) to cooperate with the other agencies of the government in order to guarantee legal order and to assure the national defense;

(b) to organize, equip and instruct the Brazilian Air Force;

(c) to regulate, develop and coordinate civil and commercial aviation;

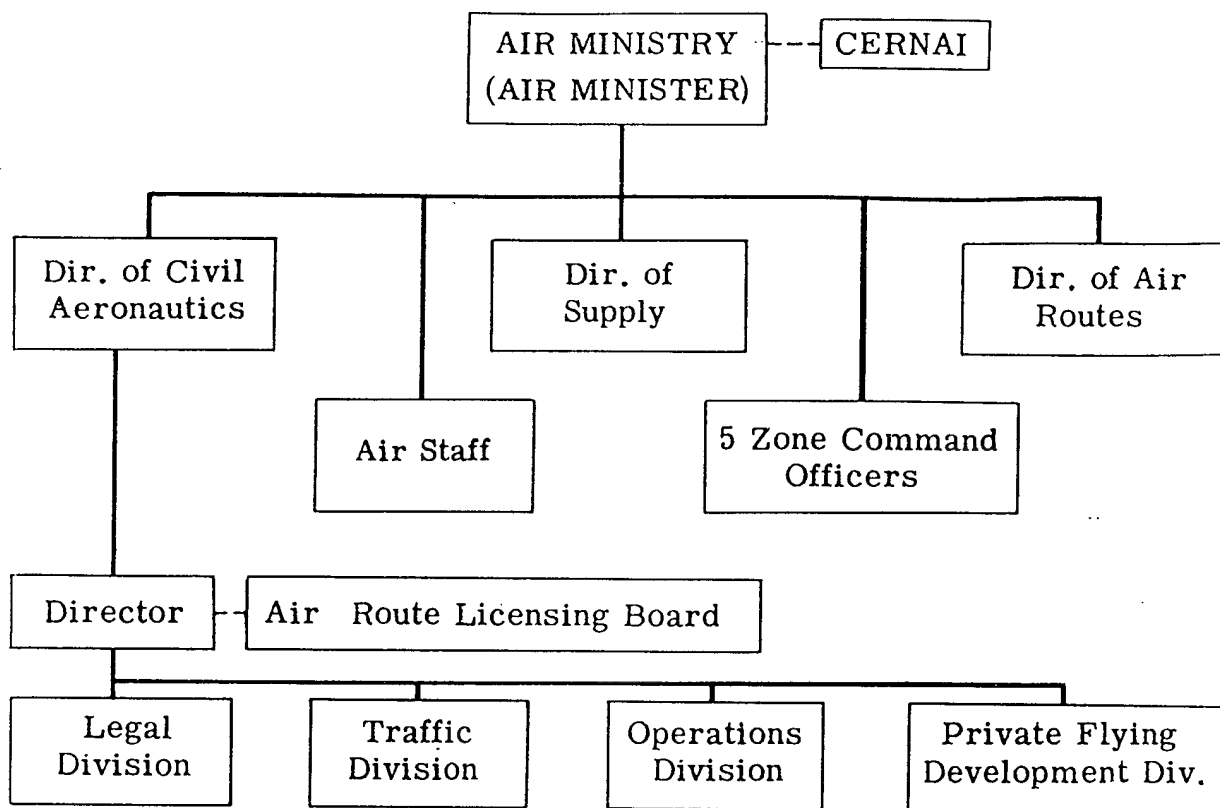
(d) to coordinate and stimulate the aeronautical industries of the country.

2. Domestic Civil Aviation Policy.

a. *Civil Aviation Legislation.*

Brazilian air policy finds its authority in the previously mentioned laws which created the Air Ministry and outlined its role. These are:

(1) Decree Law No. 483 of 8 June 1938, the Brazilian Air Code, promulgated under powers delegated to the President of the Republic by Article 180 of the Constitution; (2) Decree Law No. 2961 of 20 January 1941, which created the Air Ministry to direct all aviation activity, both civil and military; and (3) Decree Law No. 9888 of 16 September 1946, which further defined the purposes and organization of the Air Ministry. Other decrees and orders

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have been issued from time to time supplementing the foregoing legislation.

b. Regulation of Brazilian Airlines.

Brazilian national policy encourages the private ownership of airlines and the Brazilian Government has no financial interest in any airline. The State of Rio Grande do Sul, however, has a 21 percent interest in VARIG, and the State of Sao Paulo, a 75 percent share in VASP. It is Brazilian policy, moreover, to assure the control of domestic air transportation enterprises by nationals of Brazil.

Subsidies are granted to airlines by the Brazilian Government solely for the development and operation of unprofitable routes of national interest. Past recipients of this aid have been Cruzeiro, Panair do Brasil, VARIG, and NAB. Since mid-1948, the Directory of Civil Aeronautics has taken firmer action to control competition and prevent a continuation of the severe three-year rate war which resulted from the mushrooming of many small air transport companies after the war. (See

below, Section 4, Brazilian Scheduled Airlines.)

c. Regulation of Foreign Airlines.

Brazil reserves cabotage traffic for its domestic airlines. Privileges for foreign carriers, including the carriage of international traffic, are negotiated through formal bilateral air agreements, although direct government-company contracts are occasionally resorted to for the use of air facilities and similar privileges.

For the most part, Brazil has pursued a restrictive policy with respect to foreign non-scheduled operators, principally because of its desire to assure maximum utilization of available scheduled airline capacity. Brazil has been willing in principle to grant permission for infrequent US non-scheduled commercial flights between the US and Brazil. On the other hand, it has generally denied flight clearance for US non-scheduled carriers operating between Brazil and a third country, and has resisted granting even technical stop permission on Brazilian territory for flights

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neither originating nor terminating in Brazil. Recently, however, Transocean Air Lines of the US secured permission to fly displaced persons from Europe to Recife and Natal under contract with IRO. (See below, Section 4 c, Foreign Non-Scheduled Operations.)

d. Promotion of Other Civil Aviation Activity.

With respect to civil aviation, the Brazilian Government's over-all economy program has cut most heavily into appropriations for airport development. The bulk of construction funds now being made available is devoted principally to maintenance and improvement of military airfields. Therefore, the initiation of a large-scale civil airport development program such as Argentina has undertaken seems rather unlikely in the near future. Even the excellent wartime facilities in Brazil which the Air Ministry has taken over from the US have been poorly maintained. Brazil is limiting itself to "only the indispensable" in improving existing facilities.

Aero club training has been subsidized fairly generously to encourage private flying and thus to build up a reserve of pilots, as well as an air-minded public. The recent economy program, however, has caused a reduction in the subsidies to these clubs, and, at the same time, a relaxation of their ties to the government.

A government-promoted aeronautical engineering school, the first of its kind in Brazil, has been established, advised, and staffed by US nationals. Air Force training schools, meanwhile, continue their extensive programs.

All manufacture of aircraft in Brazil ceased by the end of 1948. Until that time, the government had promoted a few small enterprises: (1) a small government factory at the Galeao Airport in Rio de Janeiro, which assembled trainers from parts shipped from the US; (2) the government-owned and operated Fabrica de Motores near Rio de Janeiro, which assembled a few aircraft engines with parts from the US; and (3) a privately owned, government-subsidized plant at Lagoa Santos near Belo Horizonte, which had a contract to assemble a few AT-6 trainers but has been inoperative since 1947 because of extended litigation. Two privately owned enterprises,

moreover, turned out quite a few sport planes. These concerns were the Cia. Aeronautica Paulista, which produced about 30 two-place "Paulistinha" aircraft during 1948, and the Cia. Nacional de Navegacao Aerea, which turned out about 100 Piper Cub types.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Brazil has supported liberal air traffic principles in most of its formal negotiations for air agreements. In principle, it favors the multilateral approach for the negotiation of commercial traffic rights, reserving to bilateral negotiations the airline routes to be operated. Brazilian officials, moreover, have pointed out that their country's support for the Mexican proposal in favor of a restrictive multilateral air agreement at the 1947 Geneva meeting of the International Civil Aviation Organization (ICAO) did not represent actual Brazilian policy.

Brazil bases its bilateral negotiations upon the Bermuda type agreement concluded with the US on 6 September 1946, which was the first agreement of this type concluded by the US with a Latin American country. Since that time, Brazil has signed similar agreements with the UK, Portugal, France, the Netherlands, Norway, Sweden, Denmark, Switzerland, Argentina, Chile, and Lebanon and has nearly completed negotiations with Spain.* Parts of the Argentine agreement have been criticized, particularly in Brazil, as being susceptible of restrictive interpretation, with the result that the agreement has not yet been ratified. Otherwise, Brazil has adhered closely to Bermuda principles.

b. International Organizations.

Brazil has been an active member of ICAO since its inception in 1944 and has supported the organization as fully as Brazilian finances have permitted. Panair do Brasil, Cruzeiro, and VARIG are the country's airline members

* The Brazil-Spain Air Transport Agreement, signed 28 November 1949, contains restrictive provisions and principles not found in other Brazilian air agreements. It is considered as representing a change in Brazilian aviation policy in an effort further to protect Brazilian international air services.

of the International Air Transport-Association (IATA).

c. US Technical Assistance.

Brazil probably benefited more than any other Latin American country from the US Inter-American Aviation Training Program, the Airport Development Program, and other wartime measures of hemisphere cooperation. Many pilots, technicians, and administrative personnel were trained in the US and a string of large, modern air bases was built around Brazil's "bulge" under US sponsorship.

US technical cooperation with Brazil in air affairs is accomplished at present principally through private channels. The Aeronautical Institute at San Jose do Campo near Sao Paulo, for instance, has engaged a number of US aviation technicians and professors under private contract in order to build up a native corps of aeronautical engineers.

4. Airlines.

a. Brazilian Scheduled Airlines.

Brazil's vast area and its lack of adequate surface transport has made the country a fertile field for the development of an extensive and intensive air transport network. A number of circumstances, including the air-mindedness of recent Brazilian governments, their relatively laissez-faire attitude toward air transport, the availability of cheap surplus aircraft in the US, and the technical and financial assistance furnished by the US since 1941, have promoted the great postwar expansion in Brazilian scheduled and non-scheduled air services. As a consequence, however, an excessive number of small companies came into being, creating a condition of serious competitive imbalance and leading to a violent rate war which also threatened the excellent safety record of Brazilian airlines. The financial condition of several companies finally became so acute that the government took measures to control the competition by stricter application of existing regulations and institution of new ones. These steps, including more stringent regulations on capitalization, have forced almost a dozen marginal operators to suspend operations temporarily or permanently, leaving nine scheduled Brazilian air-

lines, eight non-scheduled, and about ten charter or taxi services still operating in 1949.

Government operating permits were withdrawn 6 June 1949 from ten Brazilian companies which had either never commenced operations or had ceased operating for more than one year. Enforcement of minimum requirements for maintenance and facilities has threatened to force the remaining marginal operators out of business. In addition, one of the oldest scheduled operators in Brazil, NAB, long a recipient of government subsidy for up to 80 percent of its services, also became insolvent during the latter part of 1948.

The six major scheduled airlines have also experienced severe economic difficulties in the postwar period, with the result that Panair do Brasil initiated a strong economy program, Cruzeiro was close to bankruptcy, and Aerovias Brasil suffered serious financial losses. VASP, VARIG, and REAL, however, with their more efficient and conservative managements, were able to minimize their financial losses. Despite the foregoing difficulties, these six airlines managed to retain their tight hold on the Brazilian air traffic market, as indicated in the following table showing the percentage of Brazil's total passenger and freight air mileage being flown by each airline in 1948.

	Percentage of Total Passenger-Kilometers	Percentage of Total Ton-Kilometers
PAB	38.2	33.06
Cruzeiro	22.1	25.20
Aerovias	12.9	18.00
VARIG	6.2	12.40
VASP	8.9	3.00
REAL	8.8	2.70
Total,	97.1	94.36
six airlines		
LAP		3.20
Others	2.9	2.44

The outstanding recent development in Brazilian aviation was the purchase of Aerovias Brasil by VASP in 1949, and its resale in 1950 to private Brazilian interests. This acquisition placed VASP, a very wealthy enterprise owned and controlled almost wholly by the city and State of Sao Paulo, temporarily in control of the third ranking Brazilian airline, in terms of passenger-kilometers flown during 1948. The present owners of Aerovias Brasil secured control in February 1950

at double the price paid by VASP a year earlier. Details of the transactions are rather obscure but reportedly involve the political maneuverings of Adhemar de Barros, Governor of Sao Paulo, who is seeking the presidency of Brazil.

An important factor in the Brazilian air transport picture is the air mail and military transport service operated by the Brazilian Air Force (FAB). This service, the *Correio Aereo Nacional* (CAN) is strictly a military airline, operated ostensibly with the aim of training FAB pilots. Civilian passengers have been frequently carried by CAN, however, with the result that it has occasionally competed with the scheduled airlines, especially with Panair do Brasil on its service to Asuncion, Paraguay. CAN's operations do not represent any great threat to the civil airlines because the latter and the democratic Brazilian government keep CAN in line. CAN was founded as *Correio Aereo Militar* by General Eduardo Gomez in 1931, for the operation of

air mail routes within Brazil and to Paraguay which were inoperative at the time, owing, CAN's proponents claimed, to the lack of initiative of Brazilian private capital.

During 1948, CAN flew an average of 60,000 miles per week over a route network of 38,000 miles. Aircraft for these operations were drawn from two air transport groups of the FAB Transport Command whose equipment includes 43 C-47's and 2 C-46's.

(1) *Aero Geral* (*Aero Geral, Ltda.*)

Routes: Aero Geral operates along the coast of Brazil between Santos and Natal via Rio de Janeiro, Vitoria, Belmonte, Salvador, Aracaju, Penedo, Maceio, Recife, and Cabedelo.

Equipment:

1 C-46

3 PBV-5

Ownership: 100 percent private Brazilian. Aero Geral was established in the summer of 1947.

AIRLINES OF BRAZIL (October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
Aero Geral	1,572	3,144	4	100% Private
Aerovias Brasil	12,226	98,597	19	91% Private 9% U.S.
LATB	1,410	5,188	10	100% Private
LAP	1,605	13,918	5	100% Private
Panair de Brasil	21,408	176,764	28	52% Private 48% U.S.
REAL	2,519	60,856	18	100% Private
VARIG	2,680	40,403	24	100% Private
Cruzeiro	10,187	125,401	26	100% Private
SAVAG	633	4,809	2	100% Private
VASP	2,892	60,450	22	100% Private
TOTAL	73,064	589,530	158	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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(2) *Aerovias Brasil (Empresa de Transportes Aerovias Brasil, S.A.).*

Routes:

Domestic: Aerovias Brasil serves the eastern part of Brazil with a more extensive network in that area than any other Brazilian airline. Its system is composed of three main route groups: (a) routes along the Atlantic Coast from Porto Alegre as far north as Belem; (b) interior routes straight north from Sao Paulo to Belem; and (c) a route extending north from Rio de Janeiro through Belo Horizonte to Lapa, where it branches off into two routes, one to Parnaiba and the other to Fortaleza.

International: Aerovias Brasil's only international route at present is to the US, via Caracas and Ciudad Trujillo to Miami, Florida.

Equipment: 19 DC-3

Ownership:

91 percent private Brazilian
9 percent US (TWA)

Aerovias was organized in 1942 as a subsidiary of the extensive TACA Airways System (see Panama, Section 4, Airlines). TACA's holdings were bought by Brazilians when the company was reorganized in 1947. In February 1949, VASP acquired an 82 percent interest in Aerovias Brasil, but then resold this share early in 1950 to private Brazilian interests.

(3) *LATB (Linha Aerea Transcontinental Brasileira, S.A.).*

Routes: LATB operates between Rio de Janeiro and Sao Paulo, and from Rio de Janeiro to Recife along the Brazilian coast.

Equipment:

5 DC-3
1 Beechcraft C-45
4 Avro Anson

Ownership: Believed to be 100 percent private Brazilian. LATB was organized in 1944.

(4) *LAP (Linhas Aereas Paulistas, S.A.).*

Routes: LAP operates between Rio de Janeiro and Sao Paulo, and along the coast: Rio de Janeiro-Vitoria-Caravelos-Ilheus-Salvador-Aracaju-Maceio-Recife-Campina Grande.

Equipment:

4 DC-3
1 Lockheed Hudson

Ownership: Believed to be 100 percent private Brazilian. LAP was organized in 1943.

(5) *PAB (Panair do Brasil, S.A.).*

Routes:

Domestic: The four main groups of domestic routes operated by PAB are: (a) the coastal route from Porto Alegre to Belem through most of the larger coastal cities; (b) the Amazon route extending from Belem the full length of the river to Iquitos (Peru), with a subsidiary route branching off at Manaus to Porto Velho; (c) a route from Rio de Janeiro north through Belo Horizonte to Belem; and (d) the routes westward from Rio de Janeiro to Campo Grande, Corumba and Cuiaba, and from Rio de Janeiro through Sao Paulo, Curitiba and Iguassu Falls to Asuncion (Paraguay). PAB's remaining domestic routes serve the regions near Sao Paulo, Rio de Janeiro and Belo Horizonte.

International: Within South America, PAB operates international routes to Iquitos, Peru, and to Asuncion, Paraguay, both mentioned above, as well as a third route to Montevideo, Uruguay, and Buenos Aires, Argentina. Outside South America, PAB operates a route originating in Buenos Aires with stops at Montevideo, Rio de Janeiro, Natal, Dakar, and Lisbon. From Lisbon, one branch of this route extends to London, via Paris, another to Istanbul via Madrid and Rome, and a third through Madrid to Zurich and Stuttgart. A PAB application is pending before the US Civil Aeronautics Board for a route to Miami.

Equipment:

5 Lockheed Constellation
19 DC-3
4 PBV-5

Ownership:

52 percent private Brazilian
48 percent US (PAA)

PAB has been a Pan American Airways (PAA) subsidiary since 1930 (one year after it was founded). PAA held all shares until 1943, when it reduced its interest to 58 percent. In 1947, the present stock ownership ratio was established.

(6) *REAL: (Transportes Aereos Real, S.A.).*

Routes: REAL operates throughout the State of Sao Paulo and extends into the neighboring States of Minas Gerais, Parana, Rio Grande do Sul and the Federal District.

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It also connects Sao Paulo with Rio de Janeiro, and with many of the southern cities as far down as Porto Alegre.

Equipment:

14 DC-3
2 Lockheed Lodestar
2 Bristol Wayfarer

Ownership: 100 percent private Brazilian. REAL was organized in 1946.

(7) VARIG (*S.A. Empresa de Viacao Aerea Rio Grandense*).

Routes: VARIG operates extensive routes to all parts of the State of Rio Grande do Sul, connects Porto Alegre with Rio de Janeiro, via Florianopolis, Curitiba and Sao Paulo, and connects Porto Alegre with Montevideo over an international route.

Equipment:

12 DC-3
7 Lockheed Electra
2 C-46
2 Junkers F-13
1 Noorduyn Norseman

Ownership: 100 percent Brazilian. The State of Rio Grande do Sul is believed to hold about 21 percent of the capital stock. Founded in May 1927, VARIG is Brazil's oldest formally organized airline.

(8) Cruzeiro (*Servicos Aereos Cruzeiro do Sul, Ltda.*).

Routes: Cruzeiro's domestic network extends along the Brazilian coast from Belem to Porto Alegre. From Belem, a route extends up the Amazon to Manaus. From Rio de Janeiro, a route extends westward through Sao Paulo to Corumba on the Bolivian border. Connections for points in Bolivia are made on this route with the US carrier, PANAGRA, at Campo Grande. From Corumba, Cruzeiro's route continues northward to Cuiaba, Porto Velho, and then to Xapuri, Acre Territory. Cruzeiro also operates an international route from Rio de Janeiro to Buenos Aires, and another, in conjunction with LAV, the Venezuelan airline, from Rio de Janeiro to Caracas. Change of aircraft on the latter route is made

at Boa Vista, Brazil, near the Venezuelan border.*

Equipment:

22 DC-3
2 DC-4
2 Focke-Wulf 200

Ownership: 100 percent private Brazilian. Organized by German interests in 1927, Cruzeiro took its present name when all German influence was eliminated in 1942.

(9) SAVAG (*Sociedade Anonima Viacao Aerea Gaucha*).

Routes: SAVAG connects Porto Alegre, capital of the State of Rio Grande do Sul, with three cities in the southern part of the State: Bage, Pelotas, and Rio Grande. (These cities are also served by VARIG.)

Equipment:

2 Lockheed Lodestar
(One or two DC-3 aircraft have been lost recently in crashes.)

Ownership: 100 percent private Brazilian. SAVAG was organized in 1946.

(10) VASP (*Viacao Aerea Sao Paulo, S.A.*).

Routes: VASP operates domestic routes only, connecting the City of Sao Paulo with: (1) Rio de Janeiro; (2) Goiania, capital of the State of Goiaz; and (3) the southern and central portions of the State of Sao Paulo.

Equipment:

17 DC-3
5 JU-52

Ownership: 100 percent Brazilian. The State of Sao Paulo, the City of Sao Paulo, and the Bank of the State of Sao Paulo together own approximately a 75 percent controlling interest in VASP.

b. Foreign Scheduled Airlines.

Three US airlines serve Brazil on regular international schedules: Pan American World Airways, from the US to Belem, Rio de Janeiro, Sao Paulo, and Porto Alegre (thence to Montevideo and Buenos Aires); Braniff In-

* Cruzeiro was granted a Foreign Air Carrier permit by the US CAB on 10 February 1950 authorizing it to operate service to Washington and New York via intermediate points in Trinidad, Puerto Rico and the Dominican Republic. This service had not commenced by June 1950.

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ternational Airways, from the US with a non-stop Lima-Rio de Janeiro service, inaugurated early in 1949; and PANAGRA, from Bolivia to Campo Grande in the west of Brazil.

European airlines and the Brazilian cities they serve en route to Buenos Aires are:

Air France	—Recife and Rio de Janeiro
Alitalia (Italy)	—Natal and Rio de Janeiro
BOAC (British Overseas Airways Corporation)	—Natal, Rio de Janeiro and Sao Paulo
KLM (Royal Dutch Airlines)	—Recife and Rio de Janeiro
SAS (Scandinavian Airway System)	—Recife and Rio de Janeiro
Iberia (Spain)	—Natal

In addition, the Argentine-flag carrier FAMA, stops at Rio de Janeiro and Natal en route to Europe, and the Uruguayan airline, PLUNA, operates between Montevideo and Porto Alegre.

c. Foreign Non-Scheduled Operations.

Transocean Air Lines of the US has obtained Brazilian permission to fly displaced persons under contract with the International Refugee Organization (IRO) from Europe as far as Recife and Natal, where passengers are transferred to Cruzeiro do Sul. (The latter has been acting for some time as Transocean's agent in Brazil.) Transocean expects to make about fifty such trips before this agreement is terminated upon expiration of IRO in March 1950.

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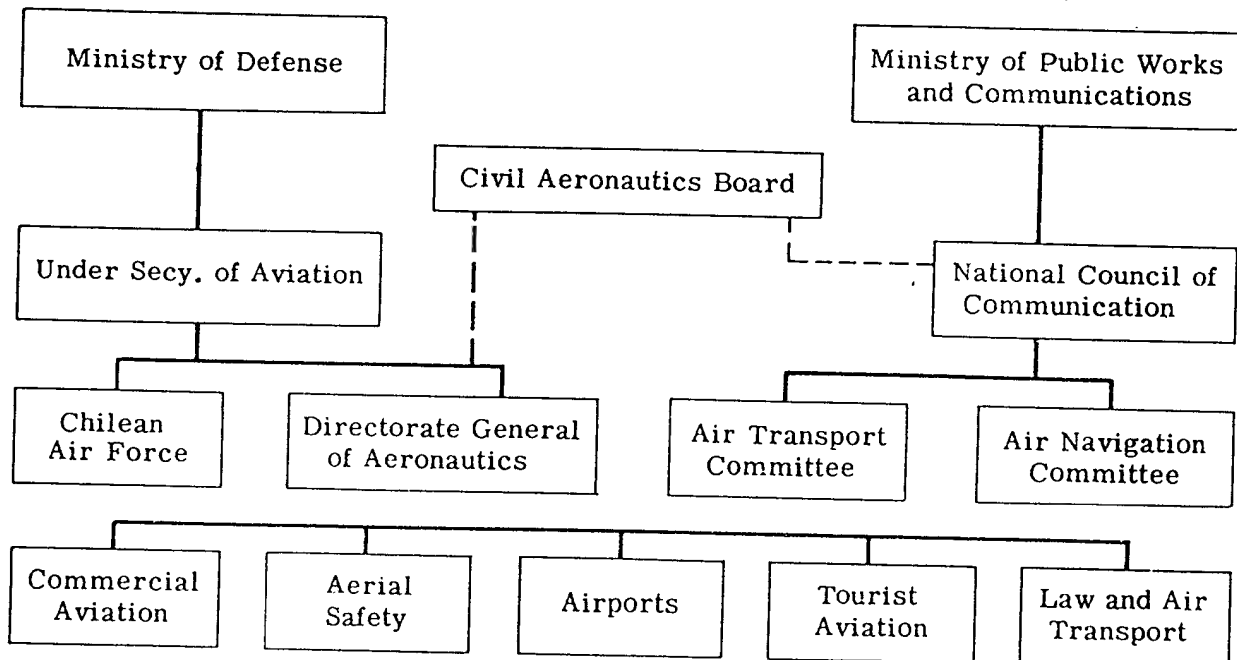
APPENDIX D

CHILE

1. Government Organization for Civil Aviation.

Civil aviation in Chile is the responsibility of a Directorate General of Aeronautics (DGA) acting under the jurisdiction of the Minister of National Defense. A Civil Aeronautics Board (CAB), patterned after that of the US, was created during 1948. It is composed of a Director of Aeronautics, who is also chairman of the CAB, a representative of the Foreign Office, a representative of the National Council of Communications (in the Ministry of Public Works and Communications), and two representatives appointed by the President of Chile. In addition, there is a Secretary General of the CAB, who is also chief of the Division of Law and Air Transport in the DGA. The National Council of Communications advises the government on domestic aviation policy through an Air Transport Committee and on interna-

tional aviation policy through an Air Navigation Committee. Chilean Air Force control of the DGA and of the national airline, LAN (Linea Aerea Nacional), is somewhat tempered by civilian domination of the CAB and the committee of the Communications Council. Nevertheless, conflicts of opinion between civil and military authorities have seriously hindered the progress of civil aviation in Chile during the past few years. The military, for example, has succeeded in holding up legislation which would provide the CAB with autonomy and with funds to execute its functions, including Chilean representation in international civil aviation organizations. Chile's air communications system and its airports are operated and controlled by the air force within the DGA. The relationship between the government agencies concerned with civil aviation is indicated in the following chart:



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2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

The organic law of the Chilean Air Force created a Directorate General of Aeronautics to control commercial and private flying and to enforce rules and regulations of aerial navigation.

The Chilean Civil Aeronautics Board was created by Decree No. 42 of 31 January 1948, as a direct dependency of the Ministry of National Defense. However, additional legislation increasing its autonomy and providing funds for its work has been held up indefinitely. A Civil Aeronautics Code for Chile was approved by the Chamber of Deputies in September 1947, but has not yet been acted upon by the Senate. By a decree published in January 1948, regulations were established governing the granting of concessions and permits by the CAB to commercial airlines.

b. Regulation of Chilean Airlines.

It is Chilean policy to maintain a government-owned and financed airline as the sole scheduled Chilean operator for routes within Chile and to other countries. Though an independent entity, the national airline, LAN, is owned and subsidized by the government and effectively controlled by the air force, which provides most of the airline's pilots and key officials, and which dominates the government regulatory body, the DGA.

The establishment of additional Chilean airlines must be approved by both the CAB and LAN. Direct competition with LAN is not permitted, although two small companies have recently been authorized to establish scheduled services supplementing LAN operations. Charter and taxi services are also offered by one of these companies, and an all-cargo service is being proposed by a third company. The law of 16 February 1949 extended to any other commercial airline the same customs and tax exemption privileges previously enjoyed only by LAN.

c. Regulation of Foreign Airlines.

Until 1946, the US carrier PANAGRA enjoyed cabotage rights in Chile, sharing scheduled service within the country with LAN. Cabotage traffic for foreign airlines, however, is now prohibited. Foreign airlines are al-

lowed to operate scheduled services to Chile on the basis of concessions granted by the Chilean CAB. Other foreign flights over Chilean territory must also be authorized by this body.

d. Promotion of Other Civil Aviation Activity.

LAN is awarded an annual subsidy for airport development. However, the amount of funds allotted to LAN or through other agencies for the development and improvement of air facilities and navigation aids has been very limited. The continued inability of the government to finance adequate facilities and navigational aids for LAN, as well as the reluctance of the air force to cooperate in this respect, has prevented, for example, the establishment of regular all-year service to the south of Santiago. The limited funds which have been available, therefore, have necessarily been used for the improvement and maintenance of Chile's international airports.

The government is anxious to support and encourage aero clubs, but has been able to subsidize this activity only to a limited extent. In spite of insufficient funds and lack of adequate flying equipment and spare parts, however, aero club flying in Chile has increased rapidly.

There is no aircraft engine or airframe industry in Chile.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Until 1947, it appeared that Chilean air policy endorsed restriction of Fifth Freedom rights for foreign air carriers. In May 1947, however, Chile changed its attitude and concluded a liberal (Bermuda type) air agreement with the US. Chile followed the form of this agreement in other bilateral negotiations shortly after the US agreement was concluded. The civil aviation policy of Chile, therefore, is directly opposed to the Argentine-sponsored principles of a "regional cabotage" bloc and a predetermined division of traffic (see Argentina, Section 3, International Civil Aviation Policy). On the other hand, Chilean policy has had to take into account the country's peculiar geographical position with respect to Latin American trunk airline routes, especially the relatively isolated location of its capital and principal city, Santiago. Recognizing

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that an unrestricted aviation policy toward foreign carriers would probably result in many international flights overflying Chilean territory (en route to Buenos Aires, for example, via the west coast of South America), the Government of Chile has followed an international air transport policy designed to assure service to Chile on the principal airline routes of the area. It has therefore insisted that air carriers crossing Chile make at least one traffic stop within the country, direct or connecting service to Santiago being mandatory.

Chile now has bilateral air transport agreements with the US, the UK, Argentina, Bolivia, Brazil, and Peru.

b. International Organizations.

Chile has experienced considerable difficulty in financing delegations to meetings of the International Civil Aviation Organization (ICAO), of which the country has been a member since early 1947. It was not represented, for example, at the important November 1947 ICAO Assembly meeting in Geneva. Some high government circles, particularly the military, are seriously considering Chile's withdrawal from ICAO, allegedly because of the acute shortage of dollar exchange in Chile. The civilian elements concerned with aviation, however, which are more actively promoting civil air activities in the country, are strongly opposed to withdrawal of Chile's international representation. Outstanding among this group, as well as in his contribution to the progress of civil aviation in Chile, is Edward Hamilton, Secretary-General of the Chilean Civil Aeronautics Board and Chief of the Division of Law and Air Transport in the Directorate General of Aeronautics. He has been a leader both in Chilean aviation and in its representation abroad, and has consistently supported the liberal aviation principles advocated throughout the world by the US.

LAN is a member of the International Air Transport Association (IATA).

c. US Technical Assistance.

A US Civil Aviation Technical Assistance Mission, set up in Chile in 1948, submitted numerous recommendations to the Chilean Government for improvement of the country's civil aviation facilities. Chile is now request-

ing the services of an airways expert when a new US mission can be assigned.

4. Airlines.

a. Chilean Scheduled Airlines.

From 1932, when it was organized, until early 1949, the Chilean national airline LAN (Linea Aerea Nacional), enjoyed a monopoly of Chilean-flag scheduled air transportation. In May and June of 1949, however, concessions were granted to two small Chilean airlines to conduct scheduled services supplementing LAN operations.

A number of factors have hampered LAN's efforts to expand and improve its services. In 1948, for instance, the company was unable to fulfill its new flight schedules when its four new Martin 202 aircraft were grounded for manufacturer's design changes. Overhaul and repair difficulties with these same aircraft again interfered with flight schedules in the summer of 1949. Moreover, lack of adequate airfield, air navigation, and meteorological facilities in the southern part of the country has handicapped LAN's efforts to provide regular service in that region. The company has also been plagued with personnel problems to the extent that a full-scale investigation of the company's operations was recently ordered, with a view to eventual reorganization.

Government subsidization of LAN operations has been increased considerably since 1940. Continued heavy subsidies, however, are required to cover the company's operating deficits. Some economies have been effected through the joint maintenance by LAN and PANAGRA of a meteorological service at Santiago which supplies all aircraft with weather data.

(1) LAN (Linea Aerea Nacional).

Routes:

Domestic: The main domestic route operated by LAN stretches the full length of Chile from Arica in the north, on the Peruvian border, to Punta Arenas in the extreme south of Chile, on the Straits of Magellan.

International: LAN operates one international route, a non-stop service from Santiago to Buenos Aires, using its Martin 202's. LAN has long planned to inaugurate service to Lima, Peru, and to La Paz, Bolivia, on the basis

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AIRLINES OF CHILE				
(October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
LAN	2,997	26,331	20	100% Govt.
LIPA SUR	567	8,964	6	100% Private
TOTAL	3,564	35,295	26	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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of bilateral air agreements which Chile has with those countries. These plans have been held up, however, principally because of LAN's equipment problems.

Equipment:

- 4 Martin 202
- 6 DC-3
- 4 Lockheed Lodestar
- 6 Lockheed Electra

LAN is now taking delivery on its order for six De Havilland "Dove" aircraft to be used in "feeder-line" service. These aircraft are being acquired from the UK chiefly because of attractive credit terms and Chile's prevailing dollar shortage.

Ownership: 100 percent Chilean Government.

(2) *LIPA-SUR (Linea Aerea Pacifico Sur).*

Routes: LIPA-SUR was authorized by the Chilean CAB early in 1948 to operate an air taxi service between Santiago and the tourist districts in the southern lake regions of Chile. In July 1949, it was authorized to conduct scheduled service over this route and was designated by the Chilean CAB to operate between Santiago and San Carlos de Bariloche, Argentina. Authority for Chilean service into this Argentine tourist area is derived from the Argentine-Chilean Air Agreement of December 1948. LIPA-SUR's permit from the Chilean Government for scheduled services is of three years' duration.

Equipment:

- 3 De Havilland Dragon
- 2 Republic Seabee
- 1 Percival Proctor

Ownership: Believed to be 100 percent private Chilean.

(3) *Servicio Aereo Austral*

Routes: The newly-organized air taxi service has also been authorized to operate in the southern region of Chile.

Equipment:

- 1 De Havilland Dove
- 1 Grumman Widgeon

Ownership: Owned outright by Sr. Carlos A. Avel Krefft, a Chilean national.

b. *Foreign Scheduled Airlines.*

PANAGRA, the US carrier which started service to Chile in 1929, continues to be the largest single foreign carrier operating into the country. After many months of intense negotiation with the Chilean Civil Aeronautics Board, an arrangement was worked out in 1948 permitting certain changes in PANAGRA service. This arrangement, however, was concluded only after Chilean fears had been allayed that Santiago would be increasingly bypassed in PANAGRA'S operations from Lima and La Paz to Buenos Aires.

BOAC (British Overseas Airways Corporation), the only European carrier to operate directly to Chile, terminates both its west and east coast services at Santiago, although the service between that city and Buenos Aires is

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reported to have been temporarily discontinued. In April 1948, LAN signed a standard IATA form inter-line agreement with the Royal Dutch Airlines (KLM), whereby LAN feeds Europe-bound traffic to KLM at Buenos Aires.

A special agreement between LAN and the Argentine carrier, FAMA, provides for a division of capacity on the Santiago-Buenos Aires

route. Both airlines fly the route non-stop, while a second Argentine carrier, ZONDA, serves the two cities via Mendoza, Argentina. Under the Chilean-Argentine bilateral air agreement, moreover, a third Argentine airline, Aeroposta, is operating twice-a-week service between Punta Arenas, Chile, and Rio Gallegos, Argentina, where connection is made for flights to other points in Argentina.

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APPENDIX E

COLOMBIA

1. Government Organization for Civil Aviation.

Civil aviation in Colombia is the responsibility of a Directorate of Civil Aeronautics (DAC) acting under the jurisdiction of the Ministry of War. Following a series of air accidents early in 1947 which were attributable largely to lack of government attention to aviation matters, the DAC was reorganized on the model of the US Civil Aeronautics Administration and given increased powers. The expanded organization now includes five departments: Operations, Engineering, Instruction, Economics, and Administration. By a decree on 22 July 1948, a National Council of Transportation was created under the Ministry of Public Works to coordinate and regulate all forms of transportation in Colombia. Its eight members include the Director of Civil Aeronautics and a representative of the domestic airlines. The chart below indicates the relationship between the civil aviation agencies of Colombia.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

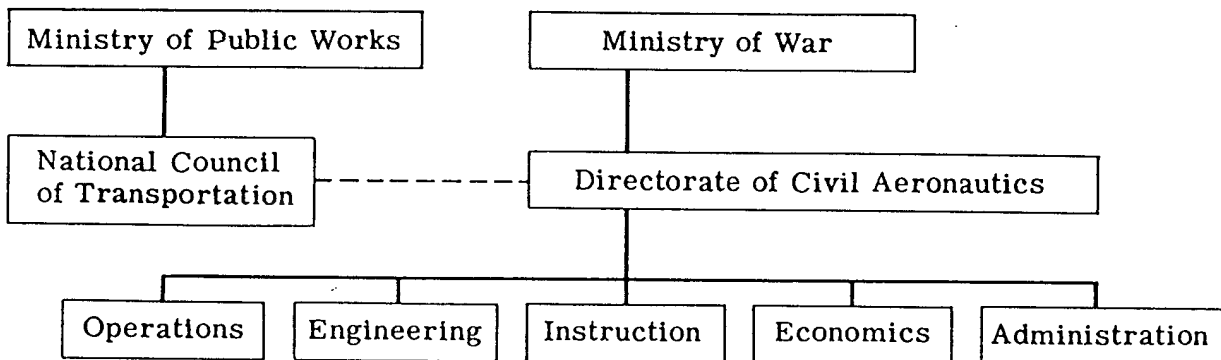
With the assistance of the US Civil Aviation Mission, revision of the existing Manual of

Regulations was effected during 1948, making the current regulations similar to those of the US Civil Aeronautics Administration.

Exchange control regulations have seriously affected international airline operations in Colombia by reducing ticket sales, increasing the costs of operation, and limiting or prohibiting the purchase of new equipment and spare parts.

b. Regulation of Colombian Airlines.

It is Colombian policy to promote domestic air transport enterprises and protect them from outside competition. Colombian airlines are required by law to be at least 51 percent owned by Colombian citizens. With the exception, however, of its small stock ownership (2.8 percent) in the principal Colombian airline, AVIANCA, the Colombian Government does not actively participate in the commercial air transport field. Although the government does not subsidize airlines directly, it provides limited aid through air mail contracts. AVIANCA had a monopoly of Colombian air mail transportation until December 1948, when the government signed a mail contract with a small irregular cargo carrier, SAM, which is largely US-controlled. In effect, AVIANCA's contract makes it the postal



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department for all the domestic air mail which it carries, because the airline is required to maintain its own postal agencies and to transport and deliver domestic air mail. The SAM service, which has been very successful, is also presumably required to act as a postal agency for the mail it carries.

The Directorate of Aeronautics (DAC), the Colombian Government's regulatory agency for civil aviation, has taken little action to control airline competition or regulate rates and routes. As a result, there was a postwar period of intense competition in Colombian air transport, including a severe rate war. The reorganization of the DAC in 1947 improved this situation somewhat, but the rate war continued well into 1948. One of the major airlines, TACA de Colombia, was forced to suspend operations early in 1947 and six smaller carriers suspended services during 1948 because of financial difficulties. Although three small companies, AFRYPESCA, Aerotaxi and SAETA, are also listed as scheduled Colombian carriers, only AVIANCA and LANSA are of much significance as scheduled operators. There are about five other small non-scheduled passenger or cargo services.

c. Regulation of Foreign Airlines.

Cabotage traffic in Colombia is reserved for the domestic airlines. Foreign airlines must receive a Foreign Air Carrier Permit to operate commercially to Colombian cities, although most such operations are conducted in accordance with inter-governmental air agreements. In 1948, Colombia's previously restrictive policy toward foreign non-scheduled operators was considerably relaxed.

d. Promotion of Other Aviation Activity.

Colombian civil airports have been owned and developed for the most part by Colombian airline companies, but the Government seems to have in mind an eventual nationalization program. Private ownership of all civil airports forced each airline to develop its own facilities, until the government required the airports to be opened to all traffic in 1948. By that time, LANSA had built duplicate facilities at many points also served by AVIANCA, with the result that only the smaller companies were substantially benefited by the change.

The government, however, now controls new airfield construction and six new airports were completed during 1948 under Government sponsorship.

In 1947, the Government of Colombia encouraged the formation of an aeronautical radio organization to operate all air navigation facilities. Since the airlines concerned were unable to agree on the details of such a plan, however, nothing was accomplished, and radio facilities are still maintained by the airline companies. As a result of surveys made by the US Civil Aviation Mission to Colombia in conjunction with Colombian officials, plans are being developed for installing a modern system of traffic control and airways communication.

A law of 1948 authorizes the DAC to grant each Colombian aero club a yearly subsidy. No grants have been made to date, however, since none of the clubs, which are composed for the most part of wealthy persons, has been in need of funds.

The Instituto Tecnico de Aviacion (ITECA) continues to be the only school in Colombia offering courses in all phases of aircraft mechanics and operation. Recently, however, reduced funds have curtailed its program. A plan is now under consideration by the DAC and the Colombian airlines for a training center to develop operating personnel for the airlines. Although the government would contribute financially to such an organization, it would be operated as an independent company.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Colombia has not followed a consistent or well-defined policy with respect to international air transport. Colombian aviation officials have stated that their country's support at international conferences for proposals restricting Fifth Freedom privileges has been based upon Colombia's desire to retain the bilateral bargaining advantage inherent in control of such privileges, rather than upon any policy designed to withhold Fifth Freedom traffic from foreign carriers. Nevertheless, Colombia continues to favor the early conclusion of a multilateral agreement on air rights.

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In spite of efforts to renegotiate the 1929 Olaya-Kellogg exchange of notes, the exchange still stands as the only air transport agreement between Colombia and the US. One obstacle to the conclusion of a new bilateral air agreement was removed by the US Civil Aeronautics Board's recent grant of a Bogota-New York route to AVIANCA under authority of the 1929 exchange of notes, thereby placing AVIANCA on a more equal footing with Pan American Airways and PANAGRA.

Colombia's only other bilateral air agreements are Bermuda-type agreements concluded with the UK and the Netherlands.

b. International Organizations.

Colombia has actively participated in and given firm support to the International Civil Aviation Organization (ICAO). AVIANCA is the only Colombian airline which is a member of the International Air Transport Association (IATA).

c. US Technical Assistance.

The US Civil Aviation Mission Agreement of December 1947 was implemented by the arrival of a US mission in Bogota in March 1948. This group surveyed Colombian needs in air transport control, radio communications, and flight and maintenance personnel training. It participated actively in revising the Manual of Regulations and in establishing procedures for personnel licensing. The Mission has also assisted in work on Aviation Training and Scholarship programs.

4. Airlines.

a. Colombian Scheduled Airlines.

Colombia was the first country in Latin America to enjoy the advantages of air transportation. Shortly after World War I, the Sociedad Colombo-Alemana de Transportes Aereos (SCADTA) commenced services linking Bogota with Barranquilla, Colombia's chief port. Since the most heavily populated part of Colombia consists of a series of mountain ranges, separated by valleys in which the main population centers are located, the gradual extension of air transport services to interconnect these centers and intermediate towns

has been of great value in unifying the country.

When SCADTA was reorganized as AVIANCA in 1940, its substantial German influence was removed. Since then, the airline has been jointly owned by Colombian and US interests, the latter being represented by Pan American World Airways (PAA).

Numerous Colombian airlines were formed after World War II. Some have disappeared, while a few others have survived as non-scheduled operators. Five new companies commenced operations during 1948, while six others suspended services. In addition to AVIANCA and LANSA, the two principal scheduled operators in Colombia, three smaller enterprises (SAETA, AFRYPESCA, and Aerotaxi) operate regularly scheduled flights within the country. The respective share of the total Colombian passenger and cargo traffic carried by each domestic airline during 1948 is shown in the following table:

	Percentage of Passenger Traffic	Percentage of Cargo Traffic
AVIANCA	60.3	52.1
LANSA	28.5	16.6
SAETA	6.5	4.1
AIDA	0.4	0.5
Aerotaxi	0.2	(less than .05)
AFRYPESCA (6 months only)	(less than .05)	0.2
SAM		14.9
LATCO		2.3
Servicio Aereo		1.1
Oil Companies and others	4.1	8.2

Although PAA holds a large percentage of the stock in AVIANCA (47.7 percent), its ability to control AVIANCA policies and operations is limited by Colombian law, which stipulates that no stockholder, however many shares he may control, may vote more than 25 percent of the total shares represented at any meeting.

Both AVIANCA and LANSA are financially sound and have good safety records. AVIANCA will continue to operate most of the radio facilities until the proposed airways communications system is actually established.

(1) AVIANCA (*Aerovias Nacionales de Colombia S.A.*).

Routes:

Domestic: One group of AVIANCA routes stretches the full length of Colombia covering

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AIRLINES OF COLOMBIA (October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (various Types)	Ownership
Avianca	6,962	103,285	32	49.1% Private 2.8% Gov. 47.7% U.S. 0.4% Other
Lansa	3,644	68,997	15	99.5% Private 0.5% Foreign
SAETA	85	2,460	4	30.0% Avianca 70.0% Private
Aerotaxi	695	4,218	9	100 % Avianca
AFRYPESCA	568	1,418	1	Unknown
TOTAL	11,954	180,378	61	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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the mountainous central and western regions of the country. In this region are the major cities of Colombia, which are all served by AVIANCA. Another group of routes, served with less frequency, radiates out from Villavicencio and covers the western and central portions of the relatively flat, undeveloped eastern part of the country.

International: AVIANCA's international routes extend to Ecuador, the US, and Panama. The route to Ecuador not only connects the two countries, but extends the full length of Ecuador. In April 1949, AVIANCA commenced twice-weekly operations between Bogota and New York, via Barranquilla and Miami, on the basis of a permit granted by the US Civil Aeronautics Board in December 1948.

Equipment:

3 DC-4
3 C-54 (cargo)
16 DC-3
8 C-47 (cargo and passengers)
2 PBY-5A

Ownership:

Colombian nationals 49.1 percent
Colombian Government 2.8 percent
Pan American 47.7 percent
Other 0.4 percent
(2) LANSA (*Lineas Aereas Nacionales, S.A.*).

Routes:

Domestic: In general, the routes of LANSA parallel those of AVIANCA, serving all the principal cities in the central part of Colombia. LANSA serves only three minor cities, Loric, Fundacion and Valledupar (all in the north), not also served by AVIANCA.

International: LANSA operates only one international route, from Bogota to Caracas, Venezuela. LANSA has an inter-company traffic agreement with the Venezuelan airline, LAV, on this route.

Equipment: 15 DC-3

Ownership:

Colombian nationals 99.5 percent
Foreign interests 0.5 percent

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(3) *SAETA (Sociedad Aeronautica de Tolima, S.A.).*

Routes: Bogota-Girardot-Ibague

Equipment: 4 C-47 (one passenger and three cargo)

Ownership: Approximately 30 percent owned by AVIANCA. The remainder is believed to be in private Colombian hands.

(4) *AEROTAXI (Aerotaxi de Colombia, Ltda.).*

Routes: Aerotaxi serves Barranquilla, Cartagena, and about fifteen other cities in the northwestern part of the country.

Equipment:

8 Cessna 190 and 195

1 Cessna 170

Ownership: 100 percent owned by AVIANCA.

(5) *AFRYPESCA (Aviacion Refrigeracion y Pesca).*

Routes: AFRYPESCA serves approximately eight towns in the northeastern part of Colombia.

Ownership: Unknown

Equipment: 1 C-47

b. Foreign Scheduled Airlines.

The following foreign air carriers operate to or through Colombia, serving the cities indicated:

Pan American World Airways: Direct service from Barranquilla to the US, to Panama, and to Venezuela.

Uraba, Medellin and Central Airways (UMCA): Medellin-Panama.

PANAGRA: Cali (on west coast service between Panama and Peru)

KLM (Royal Dutch Airlines): Barranquilla (on Aruba-Panama service)

BOAC (British Overseas Airways Corporation): Barranquilla (en route to Lima, Peru from Kingston, Jamaica)

TACA de Venezuela: Bogota to Caracas service.

c. Foreign Non-Scheduled Operations.

As a result of a decline in import cargo and the virtual non-existence of export cargo for air transport, few US non-scheduled cargo carriers have taken advantage of Colombia's liberalized policy toward this type of operation since 1948.

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APPENDIX F

COSTA RICA

1. Government Organization for Civil Aviation.

A Civil Aviation Board was formed under the Ministry of Government in 1948 to control and regulate matters pertaining to civil and military aviation. The Board, similar to the Civil Aeronautics Board in the US, formulates rules and regulations for the registry of aircraft, licensing of pilots, granting of landing permits, and other matters pertaining to civil aviation.

2. Civil Aviation Legislation.

The Junta Government on 18 October 1949 approved a new general civil aviation law, patterned largely on the civil aeronautics regulations of the US, and some changes suggested by the legal section of the International Civil Aviation Organization (ICAO).

3. Costa Rican Civil Air Policy.

Largely as a result of the political and military difficulties which have beset Costa Rica during the past two years, regulation of civil aviation affairs has been relegated to a rather minor consideration. Air transport, nevertheless, plays a highly important role in the economy of Costa Rica, providing in many cases, the sole means of freight and passenger transportation between the capital and outlying sections of country. International airlines continue to provide the most practical and popular means of passenger transportation between Costa Rica and other countries. International traffic originating and terminating in the capital, San Jose, showed a considerable decrease during 1948 as a result, no doubt, of the unsettled political conditions in Costa Rica. During the revolution of March-April 1948, and again during the attempted invasion from Nicaragua in December 1948, the facilities and equipment of the domestic transport companies were commandeered and

put to use for military purposes. None of the international facilities was molested, but for a short time during the revolution international airlines suspended operations to Costa Rica.

There has been considerable discussion of several proposed sites for a new international airport near San Jose. Since the government does not have sufficient funds for the project and would have to depend on a loan from either a US bank, the local air companies, or the World Bank, improvement of the existing airport will probably be undertaken. The Junta of Government, however, has hoped that the US will become interested in the construction of an airfield at San Jose in view of its proximity to the Panama Canal. Other than this project, little expansion of existing facilities is planned.

Costa Rica has concluded no bilateral air transport agreements, and is not a member of the International Civil Aviation Organization (ICAO).

4. Airlines.

a. Costa Rican Scheduled Airlines.

Unless additional new airports are constructed in Costa Rica, domestic air transport operations will be limited to approximately the present pattern. The three domestic airlines which presently serve Costa Rica are: Compania de Transportes Aereos Centro Americanos de Costa Rica (TACA de Costa Rica), Lineas Aereas Costarricenses, S. A. (LACSA), and Aerovias Occidentales, S. A. (Occidentales). Most of the towns and villages in the country with landing facilities are now served by one or more of these airlines, while several points along the Pacific Coast and in Guanacaste are served by two or even three of the domestic companies. A highly uneconomic and intensely competitive condition in several parts of the country has

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resulted from the Civil Aviation Board's practice of licensing virtually any route and any frequency requested by the local airlines. Thus, twice a week service by both TACA de Costa Rica and LACSA has, at some points, been on the same day instead of being staggered to furnish more frequent service. In spite of the interruption of services during the periods of fighting in 1948, TACA de Costa Rica lost very little money on route operations and actually made money on the business of their maintenance and overhaul shops in San Jose. On the other hand, LACSA claims to have lost money throughout the period, but more recently it has begun to operate at a profit. By a decree of 15 September 1949 LACSA was designated the Costa Rican flag carrier for international operations and especially to operate routes to Miami, New Orleans, and Brownsville. (As of 20 November 1949, no application had been filed by LACSA to the US CAB for such routes.)

Aerovias Occidentales, an American-owned company, started operations in 1948 with two Boeing 247-D's which it operated on the lucrative west coast route until it became necessary to cannibalize one of the planes to obtain parts for the other. It is a shoestring operation and has had rough going from the start. At the present time the company is doing fairly well financially considering the fact that it

has no shops and only the one plane which generally operates at capacity. In view of the age and condition of its equipment, Occidentales will not be able to operate much longer unless it can obtain new aircraft.

1. *Occidentales (Aerovias Occidentales, S.A.)*.

Routes: Occidentales connects San Jose with a few points in the southern part of Costa Rica.

Equipment: 1 Boeing 247-D

Ownership: 100 percent private US. Occidentales was established by two US citizens and received official Costa Rican authorization to operate freight and passenger services in 1947. International operations are subject to special approval.

2. *TACA de Costa Rica (Compania de Transportes Aereos Centro Americanos de Costa Rica)*.

Routes: TACA de Costa Rica operates from San Jose, Costa Rica's capital, principally to the interior and to numerous points along the Pacific coast. Only one route extends to the Atlantic, serving Puerto Limon and extending along the coast into Panama to Bocas del Toro.

Equipment: 3 DC-3

1 Lockheed Hudson

Ownership: Believed to be 100 percent private Costa Rican. The present TACA de

AIRLINES OF COSTA RICA (October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
Occidentales	211	1,582	1	100% U.S.
TACA	609	8,862	4	100% Private
LACSA	897	5,710	3	40% Private 40% U.S. 20% Gov.
TOTAL	1,717	16,154	8	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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Costa Rica was established in May 1948, following its purchase from the TACA Airways System by two residents of Costa Rica (see Panama, Section 4). There is some evidence, however, that these individuals may be backed by US interests.

3. LACSA (*Lineas Aereas Costarricenses, S.A.*).

Routes: LACSA originates all flights at San Jose and serves principally the northwestern and southwestern parts of Costa Rica. One route, San Jose-Los Chiles, extends to the north, outside these regions. One of the routes to the southwest, moreover, extends into Panama to Puerto Armuelles.

Equipment: 3 DC-3

Ownership: 40 percent private Costa Rican
40 percent US (Pan American
World Airways)
20 percent Government of
Costa Rica

LACSA was organized as a Pan American affiliate in 1945, receiving official Costa Rican authorization in December of that year.

b. Foreign Scheduled Airlines.

Costa Rica receives scheduled international airline service from three foreign-flag carriers. Pan American World Airways (PAA) provides a number of services to San Jose, over which traffic is carried to points throughout Central and South America and to the US. The PAA routes serve Costa Rica directly from both Managua, Nicaragua, and Tegucigalpa, Honduras, continuing on to David and Panama City, Panama. KLM (Royal Dutch Airlines) connects San Jose with Panama City and points throughout its extensive Caribbean network. Connections via KLM are also made for Europe. San Jose is also the southern terminus of TACA El Salvador's Central American services, which extend through Managua as far north as Mexico City and New Orleans.

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APPENDIX G

CUBA

1. Government Organization for Civil Aviation.

Cuban civil aviation, as well as various forms of land transport, is regulated by the National Transport Commission (CNT), a dependency of the Ministry of Communications. Although the general functions of the CNT are prescribed by law, there is considerable competition between the Ministry of Communications and the CNT for control over certain aviation matters. With respect to international route questions, final authority appears to rest in the Ministry of Communications (subject to the approval of the President of Cuba). The Inspector General of Airports exercises considerable influence within the CNT. A Civil Aviation Advisory Committee, composed of influential Cuban aviation personnel, is called upon from time to time to act in a purely advisory capacity to the CNT.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

Decree No. 4144 of 3 December 1948 circumscribing the authority of the CNT cancelled Decree No. 3534 of 25 October 1948, but reaffirmed the provisions of previous decrees giving the Ministry of Communications final decision in certain matters handled by the CNT.

b. Regulation of Cuban Airlines.

The Cuban Government has not yet been faced with the necessity of formulating strict policies or regulations to govern its domestic air services. The Cuban attitude toward airline competition, for example, is not yet clear. Until 1943, Cubana was the only airline operating in Cuba. Since that time, the government has issued permits to both Expreso and Aerovias "Q" to operate routes which would compete with Cubana service. The only route now being operated within the area served by Cubana (domestically, all of the

island of Cuba east of Habana), however, is the Aerovias "Q" route to Varadero. The few competitive routes established within Cuba by Expreso in 1945 have since been discontinued. On the other hand, both Aerovias "Q" and the newly organized Aeropostal operate between Habana and Nueva Gerona, on the Isle of Pines, and Expreso has also served that island, but at Santa Fe.

It is the practice of the National Transport Commission (CNT) to issue permits for international routes to any duly constituted Cuban company. In this connection, the government takes the position that simple majority control by Cubans constitutes Cuban ownership and effective control. It is also the practice of the government to support permit applications by all such Cuban companies in a foreign country, when such applications are based on permits issued by the CNT. The Cuban Government's support of a particular Cuban application for a foreign permit, therefore, does not necessarily indicate that the government favors that airline over any other. On the other hand, political connections appear to determine to a large degree the favors received by Cuban airlines for their operations within the country.

The Cuban Government does not subsidize any Cuban airline directly. However, Aerovias "Q", Expreso, and Aeropostal receive an indirect subsidy in the form of free use of the Cuban Army airfield Camp Colombia, which is more accessible from Habana than the regular commercial airfield Rancho Boyeros.

Because of the importance which the government attaches to continued domestic and international service by Cubana, an impasse in Cubana's labor-management relations in September 1949 prompted the government to intervene. The dispute involved Cubana's plans to resolve its serious financial difficulties through economies in operations (principally

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wage and personnel reductions), which are opposed by certain elements of the government, as well as the labor force and the unions. As a result, the stockholders of Cubana, no longer desiring to continue the company on a losing basis, voted on 31 October 1949 to dissolve and liquidate the company if within one month the Board of Directors had failed to arrange for future operations on a sound financial basis. Pan American World Airways (PAA), moreover, a 48 percent shareholder, had already refused assistance to Cubana until the company is put on a more economic operating basis. It is improbable that the majority of Cubana's stockholders actually desire dissolution of the company at this time, however, and their recent action may have been designed to influence the government to take whatever steps are necessary to assure continued Cubana service. On the other hand, it is doubtful that the government is willing to assume the burden of operating the company, as it is being urged to do by labor in the event that Cubana votes to dissolve. It seems probable, therefore, that the government will effect a compromise solution ensuring the continued operation of Cuba's most important domestic and international air carrier.

c. Regulation of Foreign Airlines.

Cuba, the gateway to Middle America, has permitted many scheduled international carriers to provide service to and through Habana, both because of the revenue accruing to Cuba from the airlines' traffic, and because the Cuban Government feels that competition among these carriers tends to keep rates down and provides incentives for improved services. Foreign airlines must receive a permit from the National Transport Commission (CNT). Bilateral air agreements concluded by Cuba with other countries govern the terms of permits issued to airlines of those countries.

Non-scheduled carriers, to obtain permission to operate to Cuba, must demonstrate to the CNT that no established scheduled airline can provide the service in question. Cuba has insisted on recognition of its right to prohibit non-scheduled commercial aircraft from landing in Cuba if it so desires. (See Section 3. b.)

d. Promotion of Other Aviation Activity.

Improvements are being made on several airports throughout Cuba. Expansion of the existing runways at Rancho Boyeros, the principal Habana airfield, is now in progress, and the government has encouraged contractors to plan construction of other air facilities, especially a new airport nearer Habana. This encouragement has included the suspension for five years of import duties on materials destined for the construction and operation of airports, as well as the cancellation for ten years of taxes on profits, capital, dividends, and interest for persons or companies constructing and operating airports.

A cooperative aeronautical organization, Aeronautical Radio Company of Cuba (RACSA), was formed by the airlines late in 1947 to coordinate all aviation communications. With the exception of Aerovias "Q", which has its own communications system, all of the major airlines which operate in or through Cuba are members of RACSA and receive its services. Labor difficulties delayed commencement of operations until April 1948 and have recurred intermittently since that time.

The Cuban Pilots Association is composed entirely of the more than 60 Cubana pilots.

There are about seven private flying schools in Cuba.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

While Cuba believes that certain benefits are to be derived from competition among foreign air carriers flying to Cuba, it has attempted to minimize such competition on those routes flown by its own carriers and to assure Cuban airlines of a certain share of the traffic.

Cuba has concluded only three bilateral air agreements, of which those with the UK and Peru are Bermuda-type. Little is known about the third agreement, signed recently with Mexico, but it is possible that it contains restrictive provisions, in view of Mexico's previous restrictive policy. Under the Mexican agreement, Cuba was granted the Habana-Merida-Vera Cruz route (presently flown by Aerovias "Q"), while Mexico retained a monopoly over the Mexico City-Merida-Habana route.

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Intermittent negotiations between the US and Cuba have not produced a bilateral pact, largely because of disagreement over what constitutes substantial ownership or effective control of an airline.

b. International Organizations.

Upon deposit of its unreserved ratification of the Chicago Convention in June 1949, Cuba was admitted as the 54th member of the International Civil Aviation Organization (ICAO). When Cuba had earlier ratified the Convention in April 1947, it had made a reservation on Article 5 in the belief that the Article allowed non-scheduled commercial operators to land in Cuba without obtaining prior approval from Cuban authorities, thus contravening Cuban law. Cuban objections have been withdrawn in view of the current widespread practice of interpreting the "limitations" which may be imposed on such flights as permitting any country to prohibit them. Although not a full-fledged member of ICAO until 1949, Cuba has indicated an active interest in its proceedings by sending observers to most meetings of the organization.

Cubana is a member of the International Air Transport Association.

c. US Technical Assistance.

Various technical specialists have been assigned to Habana for short periods of time by the US Civil Aeronautics Administration.

4. Airlines.

a. Cuban Scheduled Airlines.

Only four Cuban airlines can be considered scheduled operators at present, although there are three or four other Cuban air transport companies attempting to organize scheduled or charter services of various types. The four scheduled airlines are: Cubana, Aerovias "Q", Aeropostal, and Expreso.

From 1929, when it introduced domestic air transportation to Cuba, until 1943, Cubana was the only airline operating in Cuba. It operated exclusively within the country until 1946, when it was authorized by the US to add the important Habana-Miami route to its system. Cubana provides such valuable service to Cuba both domestically and internationally that the government has intervened in an effort to prevent Cubana's current

financial difficulties from forcing dissolution and liquidation of the company.

The wholly Cuban-owned Aerovias "Q", organized in 1945, has also experienced considerable financial difficulty, but is gradually expanding services under the close supervision of Manuel Quevedo, its president and general manager, who is principally responsible for having built Aerovias "Q" into the most stable, dependable, and efficient airline in Cuba. It is still awaiting CAB action on its request for additional lucrative routes to the US. For many months, Aerovias "Q" was the only Cuban carrier to enjoy the privilege of using the military field, Campo Colombia, which is nearer Habana than the regular Habana commercial airport, Rancho Boyeros.

Cuba Aeropostal commenced scheduled operations on its Habana-Isle of Pines route in May 1949. It has recently applied to the US Civil Aeronautics Board (CAB) for a permit to operate scheduled passenger service on its present non-scheduled cargo route to Miami. Aeropostal appears to be backed by the influential Jose M. Aleman, former Cuban senator and cabinet officer. The President of Aeropostal denies that Aleman owns or finances the company, but admits that he has aided in obtaining permits from the government. In any event, Aeropostal apparently has very adequate financial resources.

Expreso inaugurated service on several domestic routes in 1945, but all domestic operations except that to the Isle of Pines were discontinued some time later. Internationally, however, Expreso is continuing to operate more or less regular flights between Habana and Miami, while its application for renewal of its permit for this route is being considered by the CAB. The company's financial situation has steadily deteriorated, and its operations have been unstable. This condition is largely the result of insufficient revenue and the death of a former Expreso benefactor, who had provided funds and equipment for the airline. Expreso's airmail contract, moreover, was cancelled by the Cuban Government in June 1949 for failure to adhere to schedule. A new contract, however, was signed in August, providing an increased rate for transporting mail. Although its present owner is reported-

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AIRLINES OF CUBA (October, 1949)				
Airline	Unduplicated Route Miles *	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
Aerovias "Q"	1,205	12,920	8	100% Private
Cubana	6,587	71,127	10	{ 52% Private 48% U.S.
Aeropostal	83	1,162	7	
Expreso	325	7,840	2	{ 60.46% Private 39.54% U.S.
TOTAL	8,200	93,049	27	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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ly Rafael Mendoza, a close friend of President Prio of Cuba, the favors Expreso expected from its close government connections have not materialized, and its future is very uncertain.

(1) *Aerovias "Q", S.A.*

Routes: Aerovias "Q" connects Habana with Varadero, a north Cuban resort, and with the Isle of Pines. Two international routes are operated by Aerovias "Q", providing service from Habana to Key West, Florida, and to the Mexican cities of Merida and Vera Cruz. Aerovias "Q" has also applied to the US Civil Aeronautics Board for permission to operate from Habana to Washington and New York, as well as to several additional points in Florida.

Equipment: 5 DC-3
1 C-47 (cargo only)
2 C-46

Ownership: 100 percent private Cuban. Aerovias "Q" was organized in 1945 and began scheduled operations the following year.

(2) *Cubana (Compania Cubana de Aviacion, S.A.).*

Routes: In its domestic services, Cubana operates throughout all of Cuba east of Habana with from one to seven round-trips daily. In addition to Cubana's Habana-Miami international service, the company operates sched-

uled service from Habana to Madrid, with non-traffic stops at Bermuda, the Azores and Portugal.

Equipment: 1 DC-4
7 DC-3
2 Lockheed Electra

Ownership: 52 percent private Cuban
48 percent US (Pan American World Airways)

Cubana was established in 1929 and has been affiliated with Pan American World Airways (PAA) since 1932. In 1945, PAA's interest was reduced from 100 percent to 52 percent and in 1947, in order to satisfy the Cuban Government requirement that effective control of Cuban airlines be retained by the country's nationals, PAA further reduced its holdings to the present figure.

(3) *Aeropostal (Cuba Aeropostal, S.A.).*

Routes: Aeropostal's only scheduled service is a domestic route from Habana to the Isle of Pines. Aeropostal operates internationally, however, between Habana and Miami in contract cargo service, including the transport of Cuban air mail.

Equipment:
2 DC-3
4 C-46 (cargo only)
1 Lockheed Lodestar (company use only)

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Ownership: 100 percent private Cuban. Aeropostal was organized in August 1943.

(4) *Expreso (Expreso Aereo Inter-Americano, S.A.).*

Routes: Expreso operates one domestic route, from Habana to the Isle of Pines, serving a different city than that served by Aerovias "Q" and Aeropostal. Expreso also operates a service from Habana to Miami, presently carrying cargo only.

Equipment: Expreso leases 2 C-46 aircraft.

Ownership: 60.46 percent private Cuban.
39.54 percent US (made up of small holdings).

Expreso was founded in 1942 and started service in 1943, on the Habana-Miami route.

b. Foreign Scheduled Airlines.

Cuba is served by eight foreign-flag scheduled carriers, including four US, two European and two Latin American airlines. These carriers, which are listed below, all serve Habana, and Pan American World Airways also oper-

ates extensive Caribbean services through Camaguay, Cuba.

<i>Airline</i>	<i>Nationality</i>	<i>Route</i>
Pan American	US	US to Caribbean area, Central and South America
World Airways		
Chicago and Southern	US	US to Venezuela
Braniff International Airways	US	US to South America
National Airlines	US	US to Cuba
KLM (Royal Dutch Airlines)	Netherlands	Netherlands West Indies, Europe and South America to US
BOAC (British Overseas Airways Corporation)	UK	UK to Cuba
CMA	Mexico	Mexico to Cuba
LAV	Venezuela	Venezuela to US

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APPENDIX H

DOMINICAN REPUBLIC

1. Government Organization for Civil Aviation.

The principal civil aviation authority of the Dominican Republic is the Aviation Division (Negociado de Aviacion), which functions under the Secretary of State for War and Navy. Attached to the Aviation Division is an Aeronautical Commission consisting of the following five members selected by the Executive Power: two members from the Military Aviation Corps, a specialist on legal matters, a technical engineer, and a meteorological technician. The functions of the Commission are to cooperate with the Aviation Division in the promotion, development, and regulation of all forms of civil aviation. This Commission is apparently the administrative agency of the Aviation Division.

2. Civil Aviation Legislation.

The functions of the foregoing civil aviation agencies are outlined in a new civil air navigation law (No. 1915) passed in February, 1949. This law constitutes an expansion of previous legislation of 1937 and 1945, and incorporates new features based on the experience of other countries with similar legislation. There appear to be no provisions which constitute a significant change from recognized international and domestic practices in the regulation of civil air transportation.

3. Civil Aviation Policy.

The Compania Dominicana de Aviacion C. por A. (CDA), organized in 1944, is the only Dominican air transport company ever to operate within the country. It does not receive a direct subsidy from the Government, but has a 20-year contract for the carriage of air mail.

Foreign scheduled airlines must receive special authorization from the Executive Power to operate into the Dominican Republic. For-

eign non-scheduled carriers are allowed traffic privileges in the country under the limitations of the new civil air law or regulations made for its application. Cabotage privileges may be acquired only by special permission, which is not known ever to have been granted.

After two years of intermittent negotiations, a Bermuda-type air agreement was finally initialed by the US and the Dominican Republic on 19 July 1949. This is the Dominican Republic's only bilateral air agreement.

The Dominican Republic became a member of the International Civil Aviation Organization (ICAO) upon ratification of the Chicago Convention in January 1946. It has been represented at most ICAO meetings, but has not taken an important part in the proceedings.

4. Airlines.

a. Dominican Scheduled Airlines.

Organized as a Pan American World Airways (PAA) affiliate in May 1944, Compania Dominicana de Aviacion, C. por A. (CDA), the only airline ever to operate within the country, began commercial operations two months later over two domestic routes out of Ciudad Trujillo to Santiago, and to La Romana via San Pedro de Macoris. Other domestic routes have been added gradually. Although CDA has never operated scheduled services outside the Dominican Republic, it does conduct relatively extensive charter operations internationally. Under the terms of the recently concluded US-Dominican Republic bilateral air transport agreement, CDA has been authorized by the Dominican Government to operate services to Miami and to Puerto Rico. PAA personnel manage the company, but Dominican Air Force pilots do the flying.

CDA was operating the following unduplicate route mileage and weekly scheduled mileage as of 1 April 1949:

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<i>Unduplicated Route Miles</i>	<i>Miles Scheduled Per Week</i>
351	2,622

Routes: CDA's network connects Ciudad Trujillo with Barahona and La Romana on the south coast, Monte Cristi and Puerto Plata on the north coast, and San Juan and Santiago in the interior.

Equipment: 2 DC-3
2 C-46
1 Beechcraft C-45

Ownership: 60 percent private Dominican
40 percent US (Pan American
World Airways)

b. Foreign Scheduled Airlines.

The Dominican Republic is served by five foreign scheduled airlines, through which connections may be made to points in the US, Central America, and South America.

Pan American World Airways (PAA) serves Ciudad Trujillo on routes from the US (via Camaguey, Cuba and on some flights Port-au-Prince, Haiti) to Puerto Rico, points in the Lesser Antilles, Trinidad, and Caracas, Venezuela (via Curacao).

British West Indian Airways (BWIA) connects Ciudad Trujillo with Kingston and points in the Lesser Antilles.

Royal Dutch Airlines (KLM) operates to Ciudad Trujillo from Miami (via Kingston and Port-au-Prince), directly from Curacao, from Caracas (via Aruba), and from Barranquilla, Colombia (also via Aruba).

Aerovias Brasil stops at Ciudad Trujillo on its service from Brazil to Miami (via Port-of-Spain and Caracas).

Caribbean-Atlantic Airways (CAA) operates direct service between Ciudad Trujillo and San Juan, with connections for the Lesser Antilles.

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APPENDIX I

ECUADOR

1. Government Organization for Civil Aviation.

Civil aviation in Ecuador is the responsibility of the Department of Civil Aviation (DAC) acting under the jurisdiction of the Ecuadoran Air Force Command. The latter, in turn, is a dependency of the Ministry of Defense. The DAC is understaffed and its activities are limited by the necessity of struggling for funds in a ministry which naturally places defense needs ahead of civilian requirements. Despite these handicaps, the DAC has gradually assumed increased direction over civil aviation matters. It will probably be transferred soon to the Ministry of Public Works and Communications. Creation of an aviation board is under consideration.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

The Aerial Traffic Law (No. 946) of 12 September 1936 stipulates that control over domestic and foreign aircraft in Ecuador shall be exercised through domestic legislation and in accordance with international agreements. In 1947 the new administration cancelled the restrictive measures which had imposed heavy taxes on airline income and ticket sales. During 1949, the DAC undertook to prepare new aviation legislation and regulations, for which a need had developed as air services increased after the war. This legislation was to be presented to the Congress in August 1949, but has been tabled for further consideration.

b. Regulation of Domestic Airlines.

Although Ecuador is anxious to develop all phases of civil aviation, that country is second only to Paraguay in its lack of civil aviation development. Ecuador's difficult terrain favors extensive use of air transportation, but lack of funds has prevented adequate development of air services and facilities. Ecuador's

inability to meet the emergency transport requirements of the recent earthquake disaster illustrated the country's need of a more extensive air transport network. The US airline, PANAGRA, and the Colombian carrier, AVIANCA, provide the only dependable service in Ecuador and these airlines serve only a few Ecuadoran cities.

Civil aviation, however, has gradually expanded in Ecuador, especially since government policy became more liberal after the 1947 change of administration. Two Ecuadoran airline companies have been in operation for over two years and a few marginal companies were being organized during 1949. With government policy encouraging expansion, prospects for continued development of the air transport industry in Ecuador are favorable.

Operation of airlines is left to private interests, the government neither subsidizing nor financing commercial air services.

c. Regulation of Foreign Airlines.

Ecuador and Bolivia are the only two Latin American countries permitting foreign airlines to operate cabotage services. Under contract with the Ecuadoran Government, PANAGRA and AVIANCA both serve a half dozen points within Ecuador and connect it with other countries through international services.

PANAGRA's contract to operate in Ecuador, which expired in February 1949 after twenty years in force, was renewed in May 1949 after much discussion with DAC officials. No major difficulties were encountered, but there was some rewording of the contract as a result of the government's desire to secure more control over all air companies.

Braniff Airways, the second carrier designated by the US for west coast service in South America, stops at Guayaquil on its Houston-Rio de Janeiro flights. It recently secured an air mail contract with the Ecuadoran Government.

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d. Promotion of Other Aviation Activity.

Development of air facilities has been left to the airline companies, principally because public funds are lacking for that purpose. The limited funds which have been made available to the Ministry of Defense for airfield construction have been used by the Air Command primarily for the development of military airports. A few civil fields, however, are being improved and expanded, and others are gradually being built. Many Ecuadoran towns, for example, have taken the initiative of preparing landing fields in order to attract air services. The Shell Company of Ecuador has also developed a few airstrips for its operations in the country.

Under its new contract, PANAGRA will continue to be charged with radio and traffic control operations, the government retaining a supervisory authority. Presumably PANAGRA's past concern over inadequate compensation for this service, as well as difficulties in enforcement of traffic control regulations, has been satisfied in the new contract.

The Aero Club de Guayaquil has an active ground instruction program, but does little actual flying. Private flying is limited by lack of funds for the acquisition of desired equipment and spare parts.

The Escuela Militar de Aeronautica, subsidized entirely by the Ecuadoran and US governments, is the only aviation school in Ecuador, and provides training for the Ecuadoran Air Force (FAE). Its training program has been aided by the personnel of an advisory US Air Force Mission to Ecuador.

A Pilots Union was formed in 1948, comprising civilian pilots, mechanics and navigators, employed by either national or foreign lines within the national territory. This group was organized to increase the professional skills of its members. Although the Union is permitted to seek legislation to this end, its statutes prohibit it from engaging in any other political activity.

There is no airframe or aircraft engine industry in Ecuador.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Ecuador has encouraged all forms of foreign air transportation to serve the country.

Since no Ecuadoran carrier flies international routes, the Government is not concerned over competition from large international airlines. Ecuador's only bilateral air agreement was signed with the US 9 January 1947 and became effective 24 April 1947. It is a Bermuda-type agreement.

b. International Organizations.

Ecuador continues to desire membership in the International Civil Aviation Organization, but cannot afford to join.

c. US Technical Assistance.

A US Civil Aviation Mission served in Ecuador on the basis of an agreement signed in December 1947. Negotiations for continuation of this assistance were terminated early in 1949, and a formal request for the return of the mission to Ecuador is now under consideration by the US.

4. Airlines.

a. Ecuadoran Airlines.

Ecuadoran airlines are issued permits to carry passengers and freight in service to designated cities and towns without fixed schedules. Although they are therefore not strictly scheduled operators, service is maintained on a more or less regular basis by the two airlines listed below. There are about four other companies conducting small-scale, non-scheduled operations, and another is about to be organized.*

(1) *ATECA (Aero Transporte Ecuatoriano, C.A.).*

Routes: ATECA serves Guayaquil, Quito, Manila, and Esmeraldas in competition with Trasadina. In addition, ATECA serves Tulcan in the extreme north on the Colombian border, and Macara in the extreme south on the Peruvian border. The company is also attempting to initiate service to the eastern

* ATECA and TRASANDINA were merged during April 1950 with a recently organized airline SANTA. Operations with 4 C-47's and 1 C-46 are now conducted under the name of SANTA (Sociedad Anonima Nacional de Transportes Aereos). Services nearly duplicate the routes of PANAGRA and Avianca (see section 4. b.)

AREA (Aerovias Euatorianas, C.A.), another recently organized airline, operates a flourishing business which provides strong competition for SANTA.

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AIRLINES OF ECUADOR				
(October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
ATECA	780	3,128	7	100% Private
Trasandina	629	3,766	1	100% Private
TOTAL	1,409	6,894	8	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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"Oriente" region of Ecuador, which the government has been anxious to develop, but which is still sparsely populated.

Equipment: 2 C-47

1 Stinson Reliant
3 Stinson Station Wagon
1 Piper Cruiser

Ownership: 100 percent private Ecuadoran.

(2) *TRASANDINA* (*Trasandina Ecuatoriana, C.A.*).

Routes: TRASANDINA operates throughout the most populous portion of Ecuador, serving Quito and Esmeraldas in the north, Guayaquil and Manta in the central region, and Cuenca in the south.

Equipment: 1 C-46

Ownership: 100 percent private Ecuadoran.

b. Foreign Airlines.

PANAGRA operates cabotage services connecting the cities of Quito, Guayaquil, Cuenca, Manta, and Esmeraldas, using DC-3 aircraft. It has been designated by the Ecuadoran Government to give radio communication and radio navigational aid to all aircraft in accordance with fixed rates of compensation.

PANAGRA and another US carrier, Braniff International Airways, both operate international service along the west coast of South America, landing at Guayaquil in Ecuador. DC-4 and DC-6 aircraft are used by both airlines.

AVIANCA, the Colombian airline, connects Ecuador with Colombia to the north, and in addition provides scheduled service within Ecuador to Quito, Guayaquil, Cuenca, and Manta, using DC-3 aircraft.

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APPENDIX J

EL SALVADOR

1. Government Organization for Civil Aviation.

Control over civil and military aviation in El Salvador rests with the Chief of Aviation under the Ministry of National Defense.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

Since there are no airlines operating services within El Salvador, there has been little need for legislation on aviation. A few minor matters, such as air mail rates, have been regulated by executive decrees. The Salvadoran Government signed a contract in October 1947 with TACA, S.A. (which was incorporated under the laws of El Salvador in 1939 and is therefore popularly known as TACA El Salvador) designating this airline as its "chosen instrument" for international services. This contract will continue in effect until June 1954.

b. Regulation of Salvadoran Airlines.

In contrast to most of the countries of Central and South America, El Salvador has regarded aviation as of only minor importance to its internal economy, principally because the country's small size makes rapid air transportation unnecessary. El Salvador therefore has few fixed policies toward civil aviation; other than to assure continued international service to the capital, San Salvador. It was this consideration which led to El Salvador's designation of TACA El Salvador, an airline controlled by US interests, as its "chosen instrument" for such service. Largely because of the importance attached to TACA service by El Salvador and other Central American countries, the US Civil Aeronautics Board (CAB) granted this airline a three year permit in March 1949 authorizing operations to the US as a foreign air carrier. The Salvadoran Government interceded in TACA's behalf before

the CAB during consideration of the TACA application.

c. Regulation of Foreign Airlines.

El Salvador is served by two foreign-flag scheduled airlines, Pan American World Airways (PAA) of the US and SAHSA of Honduras. The government has opposed the admission of any other scheduled airlines, however, since it feels that the country's air transport requirements are being adequately served by the present carriers. Air cargo potential increased sufficiently after the war, however, for the Salvadoran Government to authorize a US non-scheduled cargo airline to join in the cargo service to the country in 1948.

d. Promotion of Other Aviation Activity.

Although the administration which came to power in December 1948 has passed no laws and made no policy statement respecting civil aviation, it has taken more interest than the previous administration in building up a small, efficient military air force and in promoting the Civil Air Club of El Salvador. The club operates under a permanent concession by the legislature permitting duty-free entry of flying equipment, parts, accessories and gasoline for club members. Only occasional flights have been made, however, and no flight training or ground instruction is given. The government is not known to have given the club any direct financial support.

Weather and radio navigation facilities at San Salvador are owned and operated by PAA.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

El Salvador has had no occasion to adopt a fixed air traffic policy and has concluded no bilateral air agreements.

b. International Organizations.

El Salvador is a member of the International Civil Aviation Organization (ICAO) by virtue

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of adherence to the Chicago Convention in June 1947. It is impossible, however, for El Salvador to appoint delegations with adequate technical qualifications to participate actively in conferences of ICAO and other international organizations. Its delegates are admittedly appointed "in order to help the US in the voting."

c. US Technical Assistance.

A US Air Force mission has been assigned to El Salvador since 1947 and has been assisting with the re-establishment of the Salvadoran Air Force. The current favorable attitude of Salvadoran aviation officials toward the US may be attributed in large part to the influence of this mission.

4. Airlines.

a. Salvadoran Scheduled Airlines.

TACA, S.A. (or TACA El Salvador), the only airline incorporated in El Salvador, is an operating subsidiary of the US-controlled TACA Airways, S.A., a non-operating holding company in Panama which owns a 98 percent interest in the Salvadoran airline. Prior to the organization of TACA El Salvador in 1939, other Central American operations of the TACA System had emphasized cargo traffic. The inauguration of international passenger service by TACA El Salvador brought TACA into intense competition with PAA's Central American operations, to which TACA subsidiaries had formerly provided only supplementary service.

TACA El Salvador originally served only the Central American countries, but has since expanded operations to the US and Mexico. In May 1948, however, TACA El Salvador signed an agreement with TACA de Honduras under which the latter now actually operates the Central American international routes. International service from El Salvador to Mexico and the US, however, is still operated by TACA El Salvador. It is reported that this policy was directed by the Waterman Steamship Corporation (which controls the holding company, TACA Airways, S.A.), in order that TACA El Salvador might concentrate on the services to Mexico and the US which supplement Waterman's surface trans-

portation operations. TACA El Salvador's present permit to operate to the US as a foreign air carrier was granted by the CAB in February 1949, to be effective for three years. The extent of TACA's operations as of October 1949 is indicated below:

	<i>Unduplicated Route Miles</i>	<i>Miles Scheduled Per Week</i>
TACA, S.A. (TACA El Salvador)	2,566	23,789

Routes: TACA, S.A. links both El Salvador and Guatemala with Mexico City and New Orleans. These services connect directly with service to the capitals of Costa Rica, Nicaragua, and Honduras, which is operated by TACA de Honduras under contract to and in the name of TACA El Salvador.

Equipment:

2 DC-4
8 DC-3

Ownership: 98 percent owned by TACA Airways, S.A., which in turn is controlled by US interests (Waterman Steamship Corporation).

b. Foreign Scheduled Airlines.

San Salvador, the capital of El Salvador and the only point receiving service in the country, is served on Pan American World Airways' routes which parallel those of TACA, S.A. through most of Central America. The PAA service, in general, is more extensive than that of TACA. Moreover, connections with other PAA routes are made at Mexico City for points in the US, at Merida, Mexico, for Habana and the Caribbean, and at Panama for South America.

Servicio Aereo de Honduras, S.A. (SAHSA) also operates to El Salvador from Tegucigalpa, Honduras, via other points in the latter country.

c. Foreign Non-Scheduled Operations.

Skytrain Airways, Inc. of New Orleans received a temporary landing permit from the Salvadoran Government in August 1948 and commenced fairly regular cargo flights between New Orleans and El Salvador. This operation soon included as many as two flights weekly, carrying such varied cargoes as livestock and small automobiles.

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APPENDIX K

GUATEMALA

1. Government Organization for Civil Aviation.

Civil aviation activities in Guatemala are under the jurisdiction of the Ministry of Communications and Public Works, acting through its dependency, the Directorate General of Civil Aeronautics (DGAC). The government-owned airline, Compania Guatemalteca de Aviacion (AVIATECA), however, operates under the direction of the Ministry of Economy and Labor. It is being urged by some Guatemalan officials that AVIATECA be transferred to the Ministry of Communications and Public Works, in order to unify governmental control over all phases of civil aviation.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

A new basic civil aviation law, based on Venezuela's 1944 Civil Air Law, was made effective by the DGAC on 7 April 1949, after consultation with AVIATECA, other aviation entities in Guatemala, and the foreign airlines serving the country. To supplement this law, new civil air regulations are now being formulated by the DGAC.

b. Regulation of Guatemalan Airlines.

The Guatemalan Government has granted the wholly government-owned instrument, AVIATECA, a monopoly of all internal freight and passenger traffic. The airline, of course, is heavily subsidized by the government. Since surface transportation in Guatemala is very poor, there is a great need for air charter services to supplement AVIATECA's operations and to accommodate tourists, finca (plantation) owners, businessmen, and others who desire transportation to many isolated parts of the country. To date, however, no firm has been successful in obtaining the required license to operate in this manner. The

government's principal objection to this type of operation seems to be fear of competition with AVIATECA. In actual fact, however, charter services would almost certainly be offered only to points which AVIATECA does not or is not equipped to serve, such as small private landing fields.

c. Regulation of Foreign Airlines.

The concession of Pan American World Airways (PAA) to operate air and ground services in Guatemala is due to expire in 1950. Since the company has a number of bitter opponents scattered throughout the executive and legislative branches of the Guatemalan Government, PAA will probably experience considerable difficulty in renegotiation of its contract. The government has been largely responsible for a number of recent difficulties experienced by PAA with respect to its native employees in Guatemala. Moreover, there are indications that Guatemala will choose to interpret PAA's contract rights in such a manner as to invalidate an agreement providing for compensation to PAA if its facilities should be taken over upon termination of the present contract. This restrictive attitude of the Guatemalan Government may be designed only to harass PAA further. On the other hand, in view of Guatemala's known desire to extend AVIATECA's operations, the government's policy may indicate that pressure is being exerted on PAA as a means of influencing the US Civil Aeronautics Board's decision regarding AVIATECA's current application for a permit to establish scheduled service to the US.

If AVIATECA initiates scheduled service to the US, Guatemala's policy toward both scheduled and non-scheduled foreign airlines will probably become even more restrictive. At present, TACA Airways is the only other scheduled foreign airline serving Guatemala.

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d. Promotion of Other Aviation Activity.

Three first-class airports were built by the US during the war under the Airport Development Program: Guatemala City, Puerto Barrios, and San Jose. The latter two have been turned over to the Guatemalan Government by the USAF, while the third is presently in process of being transferred. Each of these three airfields has a 6,000-foot paved runway. Several other good airfields of smaller size are also in operation. Since there is still no air charter service in Guatemala, several isolated finca owners have also cleared small landing strips, have acquired aircraft and have taken flight training in order to improve their transportation situation.

Substantial progress has been made recently in private flying in Guatemala, principally on the initiative of two US nationals who reactivated aero club flying in that country after the war. Their company, known as Aviones Centro-Americanos, was under contract to the Aero Club de Guatemala to operate that club, its flying activities and ground school. The company also acted as local distributor for Cessna aircraft and the products of Continental Motors and Bendix Aviation Corporation. There has been considerable pessimism concerning the future of the excellent training program of this organization since it was announced that management of the club would pass to Guatemalan control at the end of March 1949.

PAA and AVIATECA still jointly maintain the radio aids to navigation in Guatemala, while PAA and the USAF operate meteorological stations. Various arrangements have been proposed for increased Guatemalan participation in these services.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Guatemala has recently assumed a more restrictive attitude toward foreign airlines, particularly since its chosen instrument, AVIATECA, has sought to initiate scheduled service over a route to the US. (See Section 2, c.).

Guatemala has no bilateral air transport agreements.

b. International Organizations.

Guatemala became a member of the International Civil Aviation Organization (ICAO) in April 1947, and has been represented at most meetings of that organization. The country, however, has not taken an active part in ICAO activities. Guatemala is unable independently to supply the air navigation and meteorological aids recommended by ICAO, but would probably participate in joint support programs for these facilities, with outside assistance.

c. US Technical Assistance.

(See Section 2, d, concerning wartime, US-built bases recently turned over to Guatemala.)

4. Airlines.

a. Guatemalan Scheduled Airlines.

Guatemala's only airline, AVIATECA, is a government-owned entity expropriated by the new administration after the 1944 revolt. It is heavily subsidized, has good maintenance standards, and has achieved an excellent safety record. AVIATECA desires to undertake international services and has applied for a permit to operate to the US, which is now under consideration. Inauguration of these services, however, may also depend on the outcome of AVIATECA's plans to acquire three Martin 202 aircraft.

In October 1949, AVIATECA was operating the following route miles and miles scheduled per week:

<i>Unduplicated Route Miles</i>	<i>Miles Scheduled Per Week</i>
1,490	11,558

AVIATECA (Compania Guatemalteca de Aviacion).

Routes: AVIATECA's routes, which are at present only domestic, are concentrated in the vicinity of Guatemala City, radiating from that city in all directions. Connections are also maintained with a lesser network in the northern part of the country.

Equipment: 6 DC-3

Ownership: 100 percent Guatemalan Government.

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b. Foreign Scheduled Airlines.

Pan American World Airways (PAA) and TACA Airways, Inc. both serve Guatemala City from New Orleans, as well as from Mexico City and points in Central America.

c. Foreign Non-Scheduled Operations.

Two US non-scheduled freight carriers operate fairly regular services to Guatemala.

Skytrain Airways, Inc. has operated up to two DC-4 flights weekly from New Orleans serving Guatemala and El Salvador, while NATS Air Transportation Service (NATS) of Oakland, California has operated a single C-47 in weekly service originating in Chicago and flying via New York and Miami. The NATS service was originally contracted for by the Guatemalan Government.

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APPENDIX L

HAITI

1. Government Organization for Civil Aviation.

A National Commission for Civil Aviation was created in Haiti in 1948 to function under the jurisdiction of the Secretariat of State for Foreign Affairs. The Commission is composed of representatives of various governmental departments and is charged with the following general responsibilities: (1) to maintain contact with all national and international civil aviation organizations; (2) to advise the government on measures relating to the execution of Haitian aviation laws; and (3) to study and advise the government on all other aviation questions.

The Aviation Corps of the Haitian Armed Forces (Garde d'Haiti) controls and operates Haiti's only domestic air transport service.

2. Civil Aviation Policy.

Until 1943, there were no air services within Haiti. Since that time, Haiti has not permitted a private company to operate domestic air services, reserving air transport as a monopoly of the Haitian Air Corps, principally for military training purposes. As a result, there are no licensed civilian commercial pilots in the country and only ten licensed private pilots.

The country has had no occasion to develop a formal international aviation policy other than to ensure continued adequate service to Port-au-Prince by scheduled international carriers. Port-au-Prince has received such service continuously since 1929. Although Haiti has been a member of the International Civil Aviation Organization (ICAO) since March 1940, its participation in ICAO activities has been negligible. No bilateral air agreements have been concluded by the Haitian Government.

Haiti's only international airport, Bowen Field near Port-au-Prince, is maintained and operated by Pan American World Airways (PAA) under a Haitian Government lease effective until January 1960.

3. Airlines.

a. *Haitian Scheduled Airlines.*

There are no civil airlines operating within Haiti, as a result of the Haitian Government's policy of reserving air transport as a monopoly of the Aviation Corps of the Haitian Armed Forces (Garde d'Haiti). The Haitian Air Corps, which combines military training with operation of an airline, was established in May 1943 as an air mail carrier and was authorized in the following year to accept passenger traffic. Revenue derived from the air transport service, which operates under the name "Garde d'Haiti," is devoted principally to the acquisition and maintenance of equipment and to personnel training. The Garde d'Haiti operates three scheduled flights weekly throughout Haiti if payloads are available. Unscheduled freight service is also maintained. Although this carrier has a good safety record, its passenger operations were interrupted during 1944-45 as a result of the poor condition of its flying equipment. Air mail service, however, was continued during this period.

As of October 1949, Haiti's only scheduled airline, the Garde d'Haiti, was operating a network of 474 unduplicated route miles and scheduled 2,570 miles per week.

Garde d'Haiti (Corps d'Aviation de la Garde d'Haiti)

Routes: Garde d'Haiti operates exclusively within Haiti, connecting its capital, Port-au-Prince, with other coastal cities along the country's entire perimeter, as well as with one point in the interior.

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- 1 C-47
- 2 Beechcraft C-45 (damaged)
- 2 Cessna C-78

Ownership: 100 percent Government of Haiti.

b. Foreign Scheduled Airlines.

Haiti's capital, Port-au-Prince, is served by two foreign scheduled carriers, Pan American

World Airways (PAA) and Royal Dutch Airlines (KLM). PAA's Caribbean operations include Haiti on flights from the US to the Dominican Republic and beyond. The KLM route originates at Curacao and touches Haiti en route to Kingston, Jamaica. Connections are maintained by both carriers to other points in Central and South America.

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APPENDIX M

HONDURAS

1. Government Organization for Civil Aviation.

Civil aviation in Honduras is regulated and supervised by a civil aviation office which is under the Ministry of War, Navy and Aviation.*

2. Civil Aviation Legislation.

The government recently undertook the revision of the outmoded (1930) civil aviation legislation and air traffic regulations. Little has been accomplished on this project to date, however, partly because some elements in the government object to the use of US legislation and regulations as a model on the grounds that they cannot be adapted to basically different Honduran conditions.**

3. Honduran Civil Aviation Policy.

All scheduled airlines, national or foreign, must obtain an operating concession authorized by the Congress. Honduras admits foreign non-scheduled operators only if the country of origin grants reciprocal privileges to Honduran non-scheduled carriers. Otherwise the Honduran Government exercises little control over airline operations. The government has a 20 percent interest in the stock of the Pan American World Airways (PAA) affiliate in Honduras, SAHSA, but has an investment in no other domestic or international airline. Honduras does not subsidize any domestic air

* The new Honduran aviation law (see note **) provides that civil aviation is to be handled by a Department of Civil Aeronautics which is set up as a dependency of a new Bureau of Aeronautics under the jurisdiction of the Ministry of War, Navy and Aviation.

** A new aviation law, possibly restrictive toward foreign airlines depending on how it is interpreted, was put into effect in March 1950. It reflects, however, the great haste with which it was forced through the legislature by the air force. Many articles are ambiguous or obscure in meaning.

transport company; it does, however, grant air mail contracts, but in most cases the flat monthly fee which the government pays does not cover expenses. Since many points for which air mail service is contracted do not have airports, the airlines must frequently subcontract with connecting surface carriers to provide the service.

Although facilities are crude and flying hazardous, the government has appropriated very little money to improve airfields or lessen the hazards of flying. With the exception of the small appropriations made for the maintenance of military aviation facilities, fields and facilities have been built and maintained by the airlines.

Honduras has concluded no bilateral air transport agreements, and is not a member of the International Civil Aviation Organization (ICAO).

4. Airlines.

a. Honduran Scheduled Airlines.

Honduras is served by two domestic airlines and two international carriers. Passenger and cargo traffic over Honduras' intensive airline network has grown with surprising rapidity during the past few years. There is, however, intense and sometimes bitter competition between the two domestic scheduled operators, the PAA affiliate, SAHSA, and the former TACA System Affiliate—now privately owned—TACA de Honduras. Both have improved their services and equipment, and are apparently realizing a modest profit. Twenty-two towns are served by both, five more by TACA de Honduras, and one more by SAHSA. Although both airlines charge approximately the same rates on most routes, their efforts to agree on a common uniform rate schedule have so far been fruitless. SAHSA has recently been growing more rapidly than TACA de Honduras (which was sold

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by the TACA system early in 1948 to Honduran citizens), but the latter's position has been enhanced as a result of its contract with TACA El Salvador to operate that airline's Central American international routes, although the service is still conducted under the name of TACA El Salvador.

TAN (Transportes Aereos Nacionales, S.A.), a Honduran non-scheduled freight airline, operates from Honduras to Habana and Miami. TAN is used principally by businessmen and contractors for bringing freight from the US. It does not compete directly with either of the scheduled airlines, since it has confined its operation to freight. TAN has applied to the US Civil Aeronautics Board for a permit to transport passengers, cargo, and mail from Honduras via Habana to Miami.* TAN uses C-46's at present.

(1) SAHSA (*Servicio Aereo de Honduras, S.A.*).

Routes: SAHSA's relatively extensive routes include domestic services in the region north of Tegucigalpa, as well as to points along the entire northern coast of Honduras and in the eastern part of the country. SAHSA also operates international services linking Tegucigalpa with Belize, the capital of British Honduras, and San Salvador, the capital of El Salvador.

* The CAB granted TAN such a permit for a three-year period beginning June 1950.

Equipment: 6 DC-3

Ownership: 40 percent private Honduran
40 percent US (Pan American World Airways)

20 percent Government of Honduras

SAHSA was established as a Pan American affiliate by a 1945 contract with the Honduran Government.

(2) *TACA de Honduras (Transportes Aereos Centroamericanos, S.A.)*.

Routes: TACA de Honduras serves Tegucigalpa and all of the other principal cities in Honduras. An international route is also operated from Nueva Ocotepeque to San Salvador, the capital of El Salvador. TACA de Honduras, moreover, operates international routes from San Salvador south to San Jose, Costa Rica, under contract to and in the name of TACA El Salvador (see El Salvador, Section 4, a.).

Equipment:

8 DC-3

1 Lockheed Hudson

2 Avro Anson

Ownership: Believed to be 100 percent private Honduran. TACA de Honduras was sold by the TACA System to two residents of Honduras in February 1948 (see Panama, Section 4). There is some evidence, however, that these individuals may be backed almost 75 percent by US interests.

AIRLINES OF HONDURAS				
(October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per week	Number of Aircraft (Various Types)	Ownership
SAHSA	1,266	10,194	6	40% Private 40% U.S. 20% Gov. 100% Private
TACA	1,060	9,814	11	
TOTAL	2,326	20,008	17	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline

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b. Foreign Scheduled Airlines.

Aside from the TACA El Salvador international service through Tegucigalpa, which is actually operated by TACA de Honduras as indicated above, there is only one foreign-flag carrier serving Honduras. Tegucigalpa is served by Pan American World Airways (PAA)

over two routes from Guatemala and El Salvador to Nicaragua and Costa Rica. PAA's operations, which compete in Central America with those of TACA El Salvador, provide connections from Honduras to points in the US, as well as throughout Central and South America.

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APPENDIX N

MEXICO

1. Government Organization for Civil Aviation.

Civil aviation in Mexico is under the jurisdiction of the Department of Civil Aeronautics (DAC) in the Ministry of Communications and Public Works.

In July 1949, a commission was created by the DAC to study the civil aviation situation in Mexico and make specific recommendations for reorganizing air transportation, with special attention to the international aspects of the problem. Although this commission is to act only in an advisory and unofficial capacity, its recommendations, when published, will undoubtedly exert considerable influence on the future of Mexican civil aviation.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

Air transportation in Mexico is governed by the "Law of General Communications Media and Means of Transportation," which among other matters outlined the governmental organization for civil aviation and provided for the regulation of domestic and foreign airlines. It is required by law that: (1) a majority of the stock of Mexican airlines must be controlled by Mexican citizens; (2) ninety-five percent of the personnel must be Mexicans; and (3) only Mexican pilots may be employed. The DAC grants permits to Mexican airlines in two forms. If an operation for which application has been made appears justified, a one-year experimental permit is issued to allow evaluation of the proposed route. If the airline then desires to continue operating the route, it applies for a permanent concession. Pending a decision on this application by the government, the experimental permit continues in force. Most concessions are granted for the maximum period of thirty years.

b. Regulation of Mexican Airlines.

Although the Mexican Government attempts to protect its airlines from foreign competition, it does almost nothing else to aid the expanding Mexican air transport industry. Mexico does not pay a direct subsidy to any airline. Rates paid for the transportation of mail vary according to the company, but such payments represent only a nominal subsidy. Some relief is also granted in the exemption from import duties of some aviation equipment.

Lack of proper government regulation of commercial aviation has been largely responsible for the establishment of an uneconomic amount of competition over domestic routes, with the result that most of the twenty-eight scheduled or non-scheduled Mexican airlines are losing money. The larger scheduled operators particularly are alarmed over what they term the "air piracy of shoestring airlines." Moreover, Mexico's traffic potential is not sufficient to support the number of airlines which the DAC has allowed. Recent personnel changes in the DAC may improve the situation, but the establishment of a logical airline pattern in Mexico would probably require the elimination of most of the non-scheduled operators.

The Pan American World Airways affiliate, Compania Mexicana de Aviacion, S.A. (CMA), has been favored as Mexico's unofficial "chosen instrument" for most of the time it has operated in Mexico (since 1924). Although CMA has not officially been granted a monopoly of Mexican flag international services, it has been awarded the majority of international routes flown by Mexican carriers. That its influence with the government may be waning, however, is indicated by the fact that Aerovias Guest received the franchise for the coveted route to Madrid and, contrary to the early predictions of its critics in Mexico,

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Aerovias Guest appears to be operating efficiently and with a fair margin of profit over this route.

Although Mexican law requires a majority of the stock of domestic airlines to be held by Mexican citizens, this regulation does not appear to be universally enforced, since LAMSA, one of the country's three leading trunk route operators, is a United Air Lines subsidiary wholly owned by US interests.

c. Regulation of Foreign Airlines.

In an effort to promote its airlines, Mexico, to a greater extent than any other Latin American country, has pursued a restrictive international aviation policy which aims to keep foreign airline competition at a minimum (see Section 3, a). Cabotage traffic, moreover, is reserved to Mexican airlines by law.

Foreign airlines receive their permits to operate to Mexico from the DAC. Permits to airlines of countries with which Mexico has concluded bilateral air agreements are issued in accordance with the provisions of these agreements.

d. Promotion of Other Aviation Activity.

Since the Mexican Government has furnished no airway facilities nor meteorological aids and has built only a few airports throughout the Republic, most of the existing facilities have been developed by the airlines with private capital. The apathetic attitude of the government toward such matters led to the establishment in 1945 of the Aeronautical Radio de Mexico, S.A. (ARMSA), a non-profit company organized by the airlines to give radio and weather service to all commercial and private flyers. ARMSA purchased the separately owned facilities and now operates and maintains them, charging the individual airlines a rate proportionate to the amount each uses the facilities. The failure of a number of small, non-scheduled operators to pay this company for its services has been largely responsible for its present indebtedness. For reasons of safety, however, ARMSA has been required by the government to give service to all aircraft, whether the company has been paid or not, and it has received no government assistance in its efforts to collect from its debtors.

In an effort to force Mexican and US airlines to use Petroleos Mexicanos (PEMEX) aviation fuel rather than to import US products, the Mexican Government has repealed a 1939 decree permitting tax-free importation of aviation fuel for civil aviation. In spite of the increased costs, however, the larger airlines are continuing to import US 100-octane fuel, since they claim PEMEX products to be of inferior quality. Moreover, they lack faith in the administration of PEMEX and question the reliability of the company's distribution of aviation fuel to Mexican airports.

Among at least thirty private aeronautical schools or aero club training units in Mexico, the most important is the Escuela de Aviacion Civil "Cinco de Mayo" at Puebla, which offers courses in flight, navigation, meteorology, radio navigation, and related fields. Although this school is supervised and managed directly by the Department of Civil Aeronautics, it has been provided with only meager funds from the government for the purchase of flight and ground school training equipment with which to carry on its program.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

In order to protect the interests of its airlines in both their domestic and international operations, the Mexican Government has pursued a very restrictive air traffic policy. In negotiations with the US for a bilateral air agreement, Mexico has insisted upon monopoly rights over certain routes and upon a regulated division of traffic between US and Mexican airlines over certain other routes. The Mexican position reflects not only fear of the technical and financial superiority of foreign airlines (especially US airlines), against which Mexican carriers believe they cannot economically compete, but also the extreme sensitivity of the Mexican Government to criticism by nationalist groups. Since the Mexican demands are inconsistent with the basic principles of US aviation policy, the US has refused to abandon the Bermuda pattern and has consistently rejected any arrangement providing for a regulated division of traffic.

Negotiations initiated by the UK and the Netherlands have also been unsuccessful because of similar Mexican insistence upon split

traffic arrangements. As a result, the only Mexican bilateral air agreements now in effect are a restrictive agreement concluded with Portugal on 22 October 1948, and an agreement signed with Cuba in June 1949.

b. International Organizations.

Mexico became a member of the International Civil Aviation Organization (ICAO) upon its ratification of the Chicago Convention on 25 June 1946 and has taken an active part in most ICAO deliberations. The Mexican role was decisive in the failure of the special November 1947 Geneva meeting of an ICAO commission convened to draw up a multilateral agreement on commercial rights in international air transport. Apparently acting as the spokesman of the weaker civil air nations at that meeting, Mexico presented a resolution which brought out two conflicting views: (1) the US, the UK, and other major air nations sought a multilateral exchange of Fifth Freedom privileges in one international agreement; and (2) Mexico, the other Latin American nations present, and certain other weak air nations supported the Mexican resolution reserving to each country the right to withhold Fifth Freedom privileges in the negotiation of bilateral route agreements supplementing the multilateral agreement. (It had been decided that international air routes should be subject to bilateral negotiations.) The Mexican resolution was accepted by a vote of 13-9, with five abstentions. Because of the sharp difference of opinion, however, no compromise was possible and there has been no subsequent attempt to negotiate a multilateral agreement. Various explanations have been advanced for the Mexican delegation's action at the Geneva conference. In any event, it appears that the position taken by the delegation was not approved in advance by the Mexican Government. On the other hand, the Mexican proposal at Geneva was clearly consistent with the generally restrictive policy on air traffic rights pursued by Mexico. Aerovias Guest is a member of the International Air Transport Association.

c. US Technical Assistance.

From 1943 to 1947, a US Civil Aeronautics Technical Mission composed of flight training

and aircraft maintenance specialists was assigned to Mexico to work with government officials in establishing the pilot training school "Cinco de Mayo" at Puebla. This mission participated in training more than 300 Mexican flight personnel, 60 percent of whom are currently engaged in civil aviation activities.

4. Airlines.

a. Mexican Scheduled Airlines.

There are thirteen Mexican airlines operating scheduled services within the country and to points abroad. In addition, about fifteen non-scheduled operators offer a variety of charter services. Of the three leading Mexican airlines, CMA, LAMSA, and Aeronaves, CMA continues to hold its dominant position. CMA's total weekly scheduled mileage makes up half of the Mexican total, is more than four times that scheduled by any other carrier, and twice the combined mileage of its three nearest competitors.

Aerovias Guest and the two PAA affiliates, CMA and Aeronaves, are reportedly the only Mexican airlines to be operating at a profit. Each of these, however, subsists principally on its income from a single lucrative route: Aerovias Guest, Mexico City-Madrid; CMA, Mexico City-Los Angeles; and Aeronaves, Mexico City-Acapulco (the popular Pacific beach resort). All Mexican airlines have been seriously affected by the general business slump and the devaluation of the Mexican peso. While passenger traffic has fallen off 15 percent since devaluation, operating costs (equipment, fuel, and repairs, most of which have to be paid for in dollars) have increased 20 percent. Freight traffic has increased about 50 to 75 percent, but not sufficiently to offset other losses. In the face of these conditions, which mean the inevitable bankruptcy of marginal operators, negotiations have been proceeding to merge about eight of the smaller airlines into a single organization, but no definite action has yet been taken.*

* In the consolidation of the smaller Mexican airlines which took place during the early part of 1950, ATSA took over the operations of ALASA and Jalisco. ATSA, which may change its name to Air Mexico, will serve 27 cities and towns and consequently will become one of the largest domestic carriers. It is reported also that GPA and Panini have been merged with Reforma.

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AIRLINES OF MEXICO (October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
Aeronaves	1,876	34,250	8	60% Private 40% U.S.
ATSA	1,383	8,298	9	62% Private 38% U.S.
Contreras	1,550	6,200	6	100% Private
Aerovias Guest	5,756	23,024	5	63% Private 37% U.S.
ALASA	959	6,702	1	100% U.S.
Reforma	3,120	32,086	5	100% Private
CMA	5,015	147,502	23	59% Private 41% U.S.
GPA	675	4,524	3	100% Private
LAMSA	1,573	29,948	6	100% U.S.
Panini	1,616	11,016	6	100% Private
Jalisco	203	1,624	8	100% Private
TAT	372	5,874	6	100% Private
TAMSA	1,317	7,706	7	100% Private
TOTAL	25,415	318,754	93	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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(1) *Aeronaves (Aeronaves de Mexico, S.A.).*

Routes: The operations of Aeronaves are confined entirely to the western part of Mexico, except for one international stop at Nogales, Arizona. Its services are divided into two main types: (1) seasonal, high density tourist traffic between Mexico City and the Pacific resort, Acapulco; and (2) the relatively unfluctuating traffic carried over routes such as Mexico City-Nogales, and Mexico City-Mazatlan-La Paz.

Equipment:

- 4 DC-3
- 3 DC-2½
- 1 Avro Anson

Aeronaves also owns a number of other aircraft, mostly single engine types, which are

obsolete and not believed to be employed in regular operations.

Ownership:

- 60 percent private Mexican
- 40 percent US (Pan American World Airways)

Aeronaves was established in 1934 as a wholly Mexican-owned organization. Pan American acquired its 40 percent holding in 1940 and, as a result of certain contractual relationships, elects two of the five members of the Aeronaves Board of Directors who can block any action of the Directors. Moreover, purchase of equipment and certain other transactions cannot be undertaken without the consent of PAA, which therefore exer-

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cises a considerable degree of effective control.

(2) *ATSA (Aero-Transportes, S.A.).*

Routes: ATSA operates only within Mexico, except for a stop at Brownsville, Texas, which is being served temporarily because of inadequate airfield facilities across the border at Matamoros. The ATSA route network includes most of the important Mexican cities between the US border and Mexico City. These points are served on one north-south and two east-west routes, interconnecting at two junction points, Monterrey and San Luis Potosi.

Equipment:

- 3 DC-3
- 3 Boeing 247-D
- 2 Stinson
- 1 Vultee Special V-1

Ownership:

- 62 percent private Mexican (9 individuals)
- 38 percent private US (2 individuals)

ATSA was organized early in 1943 and started operating early the following year. Service has twice been interrupted for several months by lack of flying equipment and financial difficulties.*

(3) *Contreras (Aerovias Contreras).*

Routes: Contreras operates three routes from Tijuana, on the US border. Two of these serve Lower California: one extends the full length of the peninsula to La Paz; the other serves the Pacific resort of Ensenada. The third route extends to Mexicali and San Felipe, on the Mexican mainland.

Equipment:

- 3 DC-3
- 3 Avro Anson

Ownership: 100 percent private Mexican. Contreras was founded in 1947 by Mr. Manuel Contreras, who is believed still to be the sole owner of the airline.

(4) *Aerovias Guest, S.A.*

Routes: Aerovias Guest operates twice weekly service over just one route, Mexico City to Madrid, with traffic stops at the Azores and Lisbon and non-traffic stops at Miami and Ber-

muda. The company has applied to the US Civil Aeronautics Board, however, for authorization to operate a non-stop Mexico City-New York service.

Equipment:

5 DC-4

(According to recent reports, two of these aircraft are operated on Guest's scheduled service, two are held in reserve or for charter service, and the fifth is temporarily leased to a US non-scheduled carrier.)

Ownership:

- 63 percent private Mexican
- 37 percent private US

Aerovias Guest began operations to Spain in January 1948 under a thirty-year license from the Mexican Government. Aerovias Guest is a member of the International Air Transport Association (IATA).

(5) *ALASA (Aerovias Latino-Americanas, S.A.).*

Routes: ALASA operates local routes throughout southeastern Mexico radiating from Villahermoso, which is also connected with Mexico City by a trunk route.

Equipment: 1 DC-3

ALASA also owns about 25 other aircraft of at least 10 different types, all small and obsolete.

Ownership: Believed to be controlled by US citizens; there is no Mexican Government participation. Under several other names, ALASA dates back to 1932.*

(6) *Reforma (Aerovias Reforma, S.A.).*

Routes: The only route now being operated by Reforma connects Mexico City with the west coast of Mexico and lower California (Mexico City-Guadalajara-Culiacan-Guaymas-Ensenada-Tijuana). Reforma also holds government concessions, however, for the operation of two other routes: Mexico City-Puebla and Acapulco-Puebla-Tampico.

Equipment:

- 3 DC-3
- 2 C-47 (cargo only)

Ownership: 100 percent private Mexican. The founder (1945) and sole stockholder is Mr. Alberto Rico Pani.*

* See note page 79.

* See note page 79.

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(7) *CMA (Compania Mexicana de Aviacion, S.A.).*

Routes: CMA serves most of the important cities of Mexico, except Acapulco on the Pacific coast and those in the interior north of Mexico City. The CMA domestic route network consists of: (1) trunk routes radiating from Mexico City; and (2) feeder routes extending from Monterrey and Mexico City to cities on the Gulf coast, as far as Merida in the Yucatan. CMA also operates two international routes: Mexico City-Los Angeles and Mexico City-Habana. CMA is the only airline of any nationality serving these two routes directly. Connections with the affiliated PAA system are made on these routes at both Mexico City and Merida for points in Central and South America and points in the US. CMA has also applied to the US Civil Aeronautics Board for authorization to operate passenger and cargo services to New Orleans and several Texas ports of entry.

Equipment:

- 5 DC-4
- 15 DC-3
- 1 DC-2½
- 1 C-54 (cargo only)
- 1 C-47 (cargo only)

Ownership:

- 59 percent private Mexican
- 41 percent US (Pan American World Airways)

CMA was founded in 1924 by two US nationals to transport payrolls to the Tampico oil fields. In 1929, Pan American purchased the entire capital stock of the company, for the purpose of gaining operating rights in Mexico. PAA's stock interest in CMA has been progressively reduced in recent years to 55.6 percent in 1944, to 45 percent in 1946 (thus relinquishing control), and to its present holding later that year.

(8) *GPA (Golfo y Pacifico Aerotransportes, S.A.).*

Routes: GPA connects cities along the Gulf of Mexico (from Gutierrez Zamora to Coatzacoalcas) with Mexico City. It also connects Coatzacoalcas with Salina Cruz on the Pacific coast.

Equipment:

- 1 Cessna C-78
- 2 Avro Anson

Ownership: 100 percent private Mexican. GPA was founded and started operating in 1945.*

(9) *LAMSA (Lineas Aereas Mexicanas, S.A.).*

Routes: LAMSA operates north of Mexico City in western Mexico, including a route extending from Mexico City to Ciudad Juarez with a branch from Torreon to Mazatlan on the Pacific coast, as well as a group of routes in northwestern Mexico. LAMSA operates on a temporary basis to Nogales, Arizona, because of inadequate facilities on the Mexican side of the border. No direct connections are made, however, with LAMSA's US parent company, United Air Lines. LAMSA has also applied for US authorization to provide service to Los Angeles and several points in Texas.

Equipment: 6 DC-3

Ownership: LAMSA is the Mexican subsidiary of the US scheduled airline, United Air Lines, which holds 100 percent of LAMSA's preferred stock and 83.2 percent of its common stock. The remaining 16.8 percent of common stock is held by other US interests.

(10) *Panini (Servicio Aereo Panini, S.A.).*

Routes: Panini serves the central and southern parts of western Mexico, with Mexico City as its eastern terminus. Although several of Mexico's large cities are included in the network, the majority of points served are relatively small towns with inadequate surface transport facilities.

Equipment:

- 2 DC-3
- 2 Boeing 247-D
- 1 Avro Anson
- 1 Travelair (not used in scheduled service)

Ownership: 100 percent private Mexican. Panini was founded in 1934 by Carlos Panini, who is believed still to hold a controlling interest.*

(11) *Jalisco (Transportes Aereos de Jalisco).*

* See note page 79.

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Routes: Jalisco serves a small section of west central Mexico, from Guadalajara on the east to Puerto Vallarta on the Pacific, thence south to Tomatlan. There is no appreciable surface transport in this region.

Equipment:

- 3 DC-3
- 2 Ford Trimotor
- 2 Cessna C-78
- 1 Vultee

Ownership: 100 percent private Mexican. Jalisco was founded in 1936.*

(12) *TAT (Transportes Aereos de Tampico).*

Routes: TAT provides local service between Tampico and Mexico City and also connects Tampico, the chief oil center of Mexico, with the oil fields along the Gulf Coast. TAT is also active as a charter operator along its routes.

Equipment:

- 1 DC-3
- 5 Avro Anson

TAT also owns 5 other aircraft of 5 different types, all small and obsolete.

Ownership: 100 percent private Mexican. TAT was founded in 1940.

(13) *TAMSA (Transportes Aereos Mexicanos, S.A.).*

Routes: TAMSA connects Mexico City with the Gulf Coast, as far as Merida on the Yucatan Peninsula, and also serves the more important towns on the Peninsula. In addition,

* See note page 79.

TAMSA operates a very short international route, originating in Merida, from Chetumal to Belize, British Honduras, where connections are made with the TACA System to Central America and with British West Indian Airways for Caribbean points.

Equipment:

- 2 C-47 (cargo only)
- 5 Avro Anson

TAMSA also owns at least a dozen other aircraft of various small and obsolete types.

Ownership: 100 percent private Mexican. TAMSA was organized in 1943 succeeding a carrier which had operated under various other names since 1933.

b. Foreign Scheduled Airlines.

Mexico is presently served by four foreign scheduled airlines, of which three are US-owned or controlled. American Airlines operates through-flights to Monterrey and Mexico City via points in Texas, from the US west and east coasts, and from Chicago. Pan American World Airways (PAA) has a group of routes which serve Tampico and Mexico City from Texas gateways, continuing on (via Tapachula, on some flights) to Guatemala and other points in Central and South America. PAA also operates Miami-Habana-Merida and New Orleans-Merida-Guatemala services. TACA El Salvador, a US-controlled carrier, provides service from Mexico City to Guatemala and beyond, connecting with other TACA Airways System services. The Cuban airline, Aerovias "Q," has recently begun operations over a route from Habana to Merida and Vera Cruz.

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APPENDIX O

NICARAGUA

1. Government Organization for Civil Administration.

Civil and military aviation in Nicaragua are both controlled directly by General Somoza, Minister of War, Navy, and Aviation. There appears to be no significant aviation organization in the government other than an assistant to Somoza who concerns himself with aviation matters.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

A Law of Civil Aviation, passed in 1944, is presumably still the controlling basic legislation for civil aviation, although it has been supplemented by various presidential decrees.

b. Regulation of Nicaraguan Airlines.

The economy of Nicaragua is largely dependent upon air transportation. Gold is one of the country's principal exports and air transportation is almost the only link between the isolated mining areas and the rest of the country. Supplies, mining equipment, and personnel are flown in to the mines, while gold and personnel are transported on the return trip.

In order to secure further control over civil aviation, Somoza encouraged the formation in 1948 of a new Nicaraguan airline, FANSA. This action was taken in the hope that the airline would not only provide a source of considerable income, but would also train pilots of the Nicaraguan Air Force (FAN) and ensure the availability of an air transport service on which Somoza could depend in an emergency, such as revolution or outside attack. As a means of promoting FANSA, Somoza suspended the operating permit of TACA de Nicaragua and forced the liquidation of its assets by suddenly invoking a previously waived Nicaraguan law requiring 55 percent of the stock of domestic airlines to be held by Nicaraguan nationals. TACA de Nicaragua was vulnerable under this law, since it had at one time

been a wholly foreign-owned subsidiary of the TACA System, and had more recently been sold to private US and Honduran citizens. This action by the Nicaraguan Government was in effect an outright expropriation, because FANSA immediately took over TACA de Nicaragua's ground equipment and attempted to operate its freight business. TACA's three DC-3 aircraft, however, escaped to Honduras.

The principal beneficiary of these developments has actually been Lineas Aereas de Nicaragua, S.A. (LA NICA), a Pan American World Airways (PAA) affiliate in which PAA owns a 40 percent interest. The mine owners proved disinclined to do business with the obviously government-oriented FANSA, and LA NICA has gradually secured most of the charter freight traffic to the mines. Moreover, it soon received TACA de Nicaragua's mail contract and took over all of the domestic scheduled traffic. Loss of two aircraft in crashes early in 1949 has apparently brought FANSA operations almost to a standstill and has forced it to negotiate the sale to LA NICA of its remaining two aircraft. LA NICA, therefore, is now the only scheduled airline in Nicaragua.

The preferential treatment accorded to LA NICA at the same time FANSA was being unsuccessfully promoted is attributable to the 20 percent share of its capital stock held by the government. Somoza himself, moreover, is reported to hold directly a substantial portion of LA NICA's privately owned shares. Even as the principal air transport service now available to Somoza, however, LA NICA receives no subsidy except that provided by its mail contract with the government.

c. Regulation of Foreign Airlines.

The action taken by the government against TACA de Nicaragua did not affect the operations of TACA, S.A. (TACA El Salvador) or PAA, both of which operate international services through Nicaragua.

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d. Promotion of Other Aviation Activity.

The Nicaraguan Government is financially reluctant and technically unable to maintain meteorological and navigational aids. PAA operates Managua airport at its own expense and the US Air Force maintains weather and communications facilities there.

A now practically inactive Aero Club, organized in 1946, is also controlled by General Somoza, but has received no government assistance. There is therefore little or no market in Nicaragua for civil aircraft.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Since no Nicaraguan-flag carrier operates scheduled services outside the country, Nicaragua has had little occasion to develop an international air traffic policy. It has not raised any obstacles to the operation of foreign airlines into Nicaragua. The Nicaraguan Government has negotiated no bilateral air transport agreements.

b. International Organizations.

Nicaragua was represented at the 1944 Chicago Conference and became the first Latin American member of the International Civil Aviation Organization (ICAO) by adhering to the Chicago Convention on 28 December 1945. Although Nicaraguan representatives have attended ICAO meetings, they have not taken an active part in the proceedings.

c. US Technical Assistance.

The airport at Managua was built and equipped by the US under the wartime Airport Development Program.

4. Airlines.

a. Nicaraguan Scheduled Airlines.

LA NICA, the only scheduled airline in Nicaragua, was organized by PAA in 1945 to compete with the TACA System's subsidiary in that country, TACA de Nicaragua. LA NICA gradually expanded its services until, by 1947, it operated 90 percent of the scheduled service in the country. When TACA de Nicaragua was expropriated in 1948, LA NICA became the only scheduled Nicaraguan airline. It has experi-

enced only negligible competition from the charter operations of FANSA and a recently established non-scheduled carrier, INCA.

INCA Airlines Express Agency was organized in Miami late in 1948 and was unexpectedly designated by Nicaragua shortly thereafter as its chosen instrument for Miami-Managua air transport. Under the direction of an ex-PAA pilot, W. E. Quick, who is President, majority stockholder and Chief of Operations, INCA has maintained twice weekly non-scheduled service between Miami and Managua via Puerto Cabezas. It also stops every other week on its northbound trip at the Bonanza and Siuna mining areas in the interior of Nicaragua. Somoza appears to be promoting Quick in this enterprise, which accounts for the political favor enjoyed by the company at present. INCA owns one DC-3, and leases another and a C-46 when needed.

Lineas Aereas de Nicaragua, S.A. (LA NICA).

<i>Unduplicated Route Miles</i>	<i>Miles Scheduled Per Week</i>
849	6,738

Routes: LA NICA connects Managua with towns along the eastern coast and with two mining communities in the interior, Siuna and Bonanza. One route extends east from Managua to Bluefields and then north up the eastern coast; the other extends from Managua northeast through the interior to the Caribbean coast at the northern extremity of the country.

Equipment:

4 DC-3
1 Boeing 247-D

Ownership:

40 percent US (PAA)
20 percent Government of Nicaragua
40 percent private Nicaraguan

b. Foreign Airlines.

Managua, the capital of Nicaragua, is served on the Central American routes of both TACA, S.A. (TACA El Salvador) and Pan American World Airways (PAA). TACA provides service to New Orleans and Mexico City, while PAA also provides direct service to the US and connecting service throughout Latin America.

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APPENDIX P

PANAMA

1. Government Organization for Civil Aviation.

Civil aviation in Panama is under the jurisdiction of the Ministry of Government and Justice, acting through a Department of Civil Aeronautics. An earlier Department of Civil Aeronautics functioned during 1948 under the Ministry of Finance and Treasury, but was eliminated for economy reasons and its responsibilities were transferred to an Inspector General of Aviation under the Ministry of Government and Justice. This arrangement, which required a Ministry to handle the civil aviation function directly, apparently did not work well, with the result that the Department of Civil Aeronautics was re-established within the Ministry of Government and Justice by Decree-Law 5 of 18 August 1949. A National Civil Aeronautics Board was created by this same decree to "study and resolve civil and commercial aviation problems subject to approval by the Executive Organ."

2. Civil Aviation Legislation.

It is believed that civil aviation in Panama is regulated in part by a decree of 1932, modified in 1947. Among other matters, this legislation permits and regulates the registration of foreign air carriers under the flag of Panama. When a particular case is not covered by Panamanian civil aviation legislation, it is the practice of the Panamanian Government to apply a literal translation of US civil air regulations. The National Civil Aeronautics Board and the Department of Civil Aeronautics are preparing a basic civil aviation law designed to fit the special aviation situation in Panama and to fall within the framework of recommendations by the International Civil Aviation Organization (ICAO).

3. Civil Aviation Policy.

Because of Panama's limited financial resources and the general lack of aeronautical

knowledge on the part of most of its government officials, civil aviation has not been strongly supported or closely regulated by the Government of Panama. For the most part, civil aviation has been exploited for political purposes by intensely nationalistic elements in Panama. More recently, however, official attention has been focused on the necessity of formulating a general policy which will support all legislative and administrative action that is needed to encourage the maximum use of Panama's new Tocumen National Airport.

The government does not grant any direct subsidy to its only scheduled domestic airline, Compania Panamena de Aviacion, S.A. (COPA), which is a Pan American World Airways affiliate. It has concluded a contract with COPA, however, granting the latter an exclusive franchise (for scheduled air services in Panama and an indirect subsidy in the form of certain tax exemptions, in return for free transportation of Panamanian Government officials. This contract also stipulates that 60 percent of the airline's stock shall be controlled by Panamanian nationals and that foreign employees will not be hired unless qualified Panamanians are not available.

Although Panama does not pursue a restrictive policy toward foreign airlines, there are extreme nationalistic elements within the government and the country who have periodically submitted legislation designed to give Panama rather strict control over the operations of foreign airlines. The government is anxious, however, to induce the airlines of as many countries as possible to use Panama's new Tocumen National Airport in order to derive sufficient revenue to cover the cost of its maintenance and operation. As a result of the US-Panama bilateral air agreement signed 31 March 1949, the operations of US carriers were transferred from the US Air Force Base, Albrook Field (which is in the

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Canal Zone about one mile from Panama City), to Tocumen Airport (which is in the Republic, but more distant from the city). All commercial airlines serving Panama now operate into Tocumen.

Panama has few trained radio and meteorological technicians and few qualified pilots for commercial-type aircraft. Other than at Tocumen Airport, ground facilities and radio navigation aids are lacking or very inadequate. Tocumen and the airports at David and Bocas del Toro are currently being improved. Three flight schools and four flying clubs continue to offer a limited amount of private flying and flight instruction.

Panama has Bermuda-type air agreements with Peru (1947) and the US (1949). Ratification of the US bilateral by the National Assembly constituted an important victory for the liberal forces within Panama and for improved US-Panamanian relations, since the agreement had been bitterly opposed by anti-US nationalistic forces in Panama. Prolonged negotiations with the UK are expected to terminate soon in signature of a bilateral air agreement.

Panama has not joined the International Civil Aviation Organization.

The US has built a number of military air bases both in the Canal Zone and in the Republic of Panama for the protection of the Panama Canal. In compliance with Panama's request (in a note accessory to the US-Panama bilateral air agreement), a US Technical Civil Aviation Mission has been assigned to Panama, and several specialists are assisting and training Panamanian personnel in the operation of Tocumen Airport as an international air center.

4. Airlines.

a. Panamanian Scheduled Airlines.

Compania Panamena de Aviacion, S.A. (COPA), the only airline presently operating scheduled service within the Republic of Panama, was organized in 1944 by Pan American World Airways (PAA), which retained 40 percent of the stock. COPA commenced operations in 1947 over those interior routes which had been served until then by PAA under its Panamanian cabotage privileges.

Another important element in Panama's civil aviation is Adams Enterprises in Spanish America, S.A. (AESAs), owned by John C. L. Adams, a retired US Army Colonel. AESA acts as a Central American representative for various US manufacturers of aviation products and arms. It has also contracted with the Panamanian Government to operate both a non-scheduled airline, Aviacion General, S.A. (AGSA), and an aviation school for the training of Panama pilots and mechanics. AESA has acquired all the properties of an amphibian base and aviation school at Puerto Pilon. It is building up these facilities, especially a seaplane ramp, as well as operating the school, and conducting thrice-weekly passenger and cargo service to several points on the Atlantic side of the Isthmus, using Noordyn Norseman seaplanes and Grumman Goose amphibians. (A special summary of the TACA system is included as Section 5.)

In October 1949, COPA was operating the following route miles and miles scheduled per week:

<i>Unduplicated Route Miles</i>	<i>Miles Scheduled Per Week</i>
522	4,108

COPA (Compania Panamena de Aviacion, S.A.).

Routes: COPA serves the western half of Panama with a triangular route extending from Panama City, the capital, southwest to David and Puerto Armuelles, on the Pacific coast, then north across Panama to Changuinola on the Atlantic side. The route then extends east through Bocas del Toro back to Panama City.

Equipment: 2 DC-3.

Ownership:

67 percent private Panamanian
33 percent US (PAA)

b. Foreign Scheduled Airlines.

Panama is the hub of an extensive network of international scheduled airline services extending throughout Central and South America, as well as to the US and to Europe. Aircraft of seven foreign airlines, representing four nationalities, regularly serve Panama City. Four of these are US-flag carriers: Pan American World Airways (PAA), PANAGRA,

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Braniff International Airways, and Uraba, Medellin and Central (UMCA). Two others, British Overseas Airways Corporation (BOAC), and Royal Dutch Airlines (KLM), are European and the seventh is the Colombian-flag affiliate of the PAA System, AVIANCA. The routes operated by these carriers which serve Panama City are indicated below:

<i>Airline</i>	<i>Routes from:</i>
PAA	US via Central America to Panama; US via Jamaica to Panama; US to Panama (non-stop); and Trinidad via north coast of South America to Panama.
PANAGRA	Panama via west coast of South America to Chile and Argentina.
Braniff	US via Cuba to Panama and west coast of South America.
UMCA	Panama to Colombia.
BOAC	Europe and US via Bermuda and Jamaica to Panama and west coast of South America.
KLM	Europe and Caribbean area to Panama and Costa Rica.
AVIANCA	Colombia to Panama.

In addition to the foregoing operations through Panama City, service to David, Panama is maintained by PAA en route from San Jose to Panama City. Moreover, two other foreign airlines, both Costa Rican, provide service to points in Panama. The operations of TACA de Costa Rica include Panama's northeastern border town of Bocas del Toro; LACSA's only international service crosses Panama's northern border to the Pacific town of Puerto Armuelles.

c. Foreign Non-Scheduled Operations.

Transocean Air Lines, a US irregular air carrier, has operated frequent flights to Tocumen Airport and is negotiating a contract with the Panamanian Government permitting unlimited operations on a charter basis.

5. The TACA System.

A study of the TACA System is inserted at this point because TACA Airways, S.A., the

non-operating US-controlled holding company for this group of airlines, is incorporated in Panama.

The TACA System grew out of charter operations started in 1931 in Honduras by Mr. Lowell Yerex, a New Zealander, under the company name Transportes Aereos Centroamericanos, S.A. (TACA de Honduras). Operations were confined to that country until 1934, when the company began its expansion throughout Central and South America chiefly by means of the purchase or organization of other local lines. TACA de Honduras remained the principal company of the system until 1939, when TACA Airways, S.A. was founded as the non-operating holding company for the operating subsidiaries.

The TACA System reached its maximum size about 1947. Since that time, however, it has been contracted considerably, mostly by the sale of component companies.

The following companies make up the present system:

(1) *TACA Airways, S.A.*

This company is the non-operating holding company of this group of airlines. It was established in Panama in 1939 as TACA, S.A., changed its name in 1943 to Inter-American Airways, S.A., and later in that year adopted the present name.

(2) *TACA, S.A. (TACA El Salvador).*

This company was established in 1939 in El Salvador to operate the international routes of the TACA System in Central America, which had previously been operated by TACA de Honduras. TACA El Salvador has continued in this role and has expanded its operations to the US and Mexico. In May 1948, TACA El Salvador signed an agreement with TACA de Honduras to have the latter operate the Central American international routes. These operations are still conducted, however, under the name of TACA El Salvador.

(3) *Linea Aerea TACA de Venezuela, C.A. (TACA de Venezuela).*

This company was established as an affiliate of TACA Airways in August 1944. At present, it is the only TACA-affiliated airline operating in South America.

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(4) *TACA de Mexico, S.A. (TACA de Mexico).*

This company was established in Mexico in 1944 as a non-operating subsidiary of TACA Airways to comply with the terms of the permit issued by the Mexican Government to TACA El Salvador to operate into Mexico. (The permit required the establishment of a Mexican company to own the TACA System's ground facilities and real estate in Mexico.)

(5) *TACA Airways Agency, Inc.*

This company was established in the US in 1943 for the purpose of handling business in the US for the TACA System.

(6) *TACA Airlines Investing Corporation.*

This company was incorporated in the US in 1946 as an inactive subsidiary of the System. It owns one-half of the TACA System interest in TACA de Colombia.

The chart below indicates the relationship between the present components of the TACA System and the percentage of the stock of each component which is held by the Panama holding company, TACA Airways, SA.

The following companies were at various times affiliated with the TACA System, but have since been sold to other interests or have discontinued operations:

British West Indian Airways (BWIA), which Mr. Yerex had organized outside the TACA System in 1940, became a part of the System in 1943, when Yerex turned over his 40 percent stock interest in BWIA to TACA Airways. By 1947, TACA Airways had sold all of this stock to British interests.

Aerovias Brasil, which Yerex had founded in 1942, was sold to Brazilians in 1947.

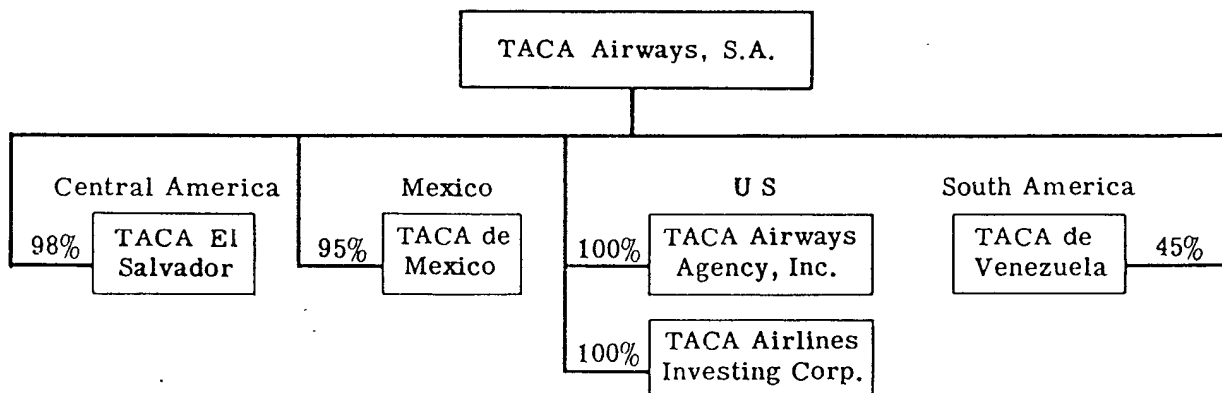
TACA de Colombia was established as a TACA Airways affiliate in 1944 but discontinued operations in July 1947 because of financial difficulties.

The original company, *TACA de Honduras*, along with *TACA de Nicaragua*, was sold to Central American interests in February 1948. TACA de Nicaragua is no longer in operation.

TACA de Costa Rica was sold to Central American interests in May 1948.

The founder of the TACA System, Lowell Yerex, was originally its principal owner. However, in 1943, US investors acquired a 46.2 interest in TACA Airways, S.A., and subsequent capital increases in 1946 raised this percentage to 62.4 percent. A voting trust agreement was signed in 1947 by the following TACA stockholders: Mr. Yerex, The Pennroad Corporation, Transcontinental and Western Air, Inc. (TWA), and the Waterman Steamship Corporation. Under this agreement, which provided that Waterman was to exercise the voting privileges of the other parties until 15 July 1949, Waterman apparently acquired effective control of the TACA System. It is not known, however, whether the voting trust agreement has been renewed.

Although the exact percentage of total outstanding stock which US interests presently own is not known, it is believed to be about 75 percent.



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APPENDIX Q

PARAGUAY

1. Government Organization for Civil Aviation.

Paraguay's limited civil aviation activity is administered by the Ministry of National Defense, acting through a Directory of Aerial Traffic (Direccion de Trafico Aero). The latter agency was recently removed from the jurisdiction of the Commander of the Air Force, with the result that civilian control over commercial aviation has been increased. Military and civil aviation functions are now theoretically separated, although there is still considerable overlapping. The effectiveness of the "Direccion" in developing civil aviation in Paraguay is still seriously restricted by its lack of greater autonomy and sufficient resources.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

There is very little legislation in Paraguay affecting civil aviation. No information is available on civil air regulations currently in effect. Linea Aerea de Transporte Nacional (LATN), the national airline, was established by Decree No. 4464 of 12 July 1944. A second Decree, No. 7151, adopted 6 February 1945, established operating regulations for LATN and also granted the airline a monopoly on domestic air transportation.

b. Regulation of Paraguayan Airlines.

Progress in civil aviation, which is at a very primitive level in Paraguay, has been retarded by political instability, lack of interest, and insufficient funds. Implementation and enforcement of civil air regulations have been lax, and frequent changes of administration have interrupted the establishment of a consistent aviation policy.

Paraguay is a fertile field for the development of air transport, since it has a limited highway system, and rail service is maintained only in the southern part of the country

(one rail line from Asuncion southeast to the Argentine border). River transportation and fair-weather roads must be depended on for most transport requirements. Although Paraguayan legislation grants LATN a monopoly of domestic commercial air service, the government also gave tacit approval to the establishment of a limited charter service by US interests during 1948. LATN has protested this service, but the government now seems determined to encourage any form of aviation activity.

c. Regulation of Foreign Airlines.

It is Paraguayan policy to encourage international carriers to serve the country, but the traffic potential is too low to attract many foreign operators. No US carrier serves Asuncion, the capital, at the present time. Although an application by Braniff International Airways to serve Asuncion en route to Buenos Aires is being given priority attention by the "Direccion," it is unlikely that Braniff will inaugurate service to Paraguay until Argentina authorizes extension of the route to Buenos Aires.* Commercial airline travel to Asuncion is now possible only via Argentine or Brazilian airlines.

Cabotage traffic is reserved to Paraguayan enterprises.

d. Promotion of Other Aviation Activity.

The excellent runway at the Asuncion airport was built by the US under the wartime Airport Development Program. Development and improvement of other fields (none of which is surfaced) has increased the number of points served by the national air service.

Recent aviation policy has encouraged private flying and the reorganization of the Aero Club del Paraguay (ACP). Reactivation of this club, equipped with its own aircraft, and

* Braniff inaugurated Lima-La Paz-Asuncion-Buenos Aires service during June 1950.

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the development of a small grass field near the capital for the use of private aircraft have tended to reduce civilian dependence on the air force for the latter's aircraft, personnel, and flying facilities.

There is no airframe or aircraft engine industry in Paraguay.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Paraguay encourages foreign airlines to serve the country. Since its carrier does not operate outside the country, Paraguay has no competitive reason for desiring to restrict the operations of foreign carriers.

Paraguay concluded a Bermuda-type bilateral air transport agreement with the US in February 1947.

b. International Organizations.

Paraguay is a member of the International Civil Aviation Organization (ICAO). Its ability to participate actively in ICAO activities, however, is very limited, and failure to meet its financial obligations to the organization has resulted in suspension of its voting rights. Paraguay has not been represented at all ICAO functions.

c. US Technical Assistance.

No CAA Mission has been assigned to Paraguay. As indicated in Section 2, however, the Asuncion airport was developed with US assistance.

4. Airlines.

a. Paraguayan Airlines.

LATN, the national airline, is operated by the air force and handles most of the commercial air service within Paraguay. Both military and non-military transports, and even training planes on occasion, are used in commercial services. LATN was organized primarily to provide fast transportation to outlying Army posts. Since its schedules are kept at a minimum, LATN's commercial service is mainly on a charter basis.

Two US ex-servicemen have established a domestic air charter service in Paraguay, using two Cessna 170's. The government, under pressure from LATN, however, may force a suspension of this service.

Several approaches have been made to the Paraguayan Government by various foreign interests for authorization to establish an international air service based in Paraguay. Various grandiose proposals for operations to Europe and the US, involving both Argentine and US interests, have been advanced, but such operations are not likely to materialize for some time, if at all.

Data concerning LATN (Linea Aerea de Transporte Nacional) as of 10 October 1949 are summarized below:

	<i>Unduplicated Route Miles</i>	<i>Miles Scheduled Per Week</i>
LATN	2,169	3,737

Routes: LATN connects Asuncion with outlying towns in Paraguay through four routes known as: (1) Northwestern; (2) Northeastern; (3) Eastern; and (4) Southeastern.

Equipment:

2 Stinson Voyager
4 Stinson Reliant
2 Republic Seabee

Ownership:

100 percent Government of Paraguay.

b. Foreign Airlines.

The capital of Paraguay, Asuncion, is served by two international carriers.* Panair do Brasil operates one route west from Rio de Janeiro and Sao Paulo via Curitiba and Iguassu Falls to Asuncion, and a second route south from Campo Grande to Asuncion. ALFA, the Argentine carrier, provides service to the city on two routes from northern Argentina.

* A third carrier, Braniff International Airways, now serves Asuncion (see note page 91).

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APPENDIX R

PERU

1. Government Organization for Civil Aviation.

Civil aviation in Peru is the responsibility of a Ministry of Aeronautics acting through a Directorate General of Civil Aviation (DGAC). The DGAC is charged with administration of civil aviation policy and regulation of civil aviation activity. The Corporacion Peruana de Aeropuertos y Aviacion Comercial (CORPAC), a government-controlled aviation corporation, is responsible for implementation and administration of DGAC regulations relating to the construction and operation of airports and air communications facilities. A General Directorate of Meteorology established in June 1949 replaced the National Meteorological Service as a direct dependency of the Ministry of Aeronautics. A Civil Aeronautics Advisory Committee was created in 1946 to study aviation policy and act as an advisory board to the Minister of Aeronautics. This committee is composed of the Legal Director in the Ministry of Foreign Affairs, the Chief of Staff of the Peruvian Air Force, the Minister of Aeronautics, the Director of Civil Aviation, the President of CORPAC, and the President of the Peruvian Tourist Board.

An almost complete lack of properly trained administrative, flight, and technical personnel in Peru, other than those employed by

the civil airlines, has necessitated a dependence on military personnel for staffing all civil aviation regulatory bodies. With the coming into power of the Military Junta in late October 1948, moreover, all phases of civil aviation fell under stricter military control. This influence, however, has not been exerted to favor military aviation requirements over commercial ones.

Lines of responsibility for the foregoing functional groups have been established approximately as in the chart below.

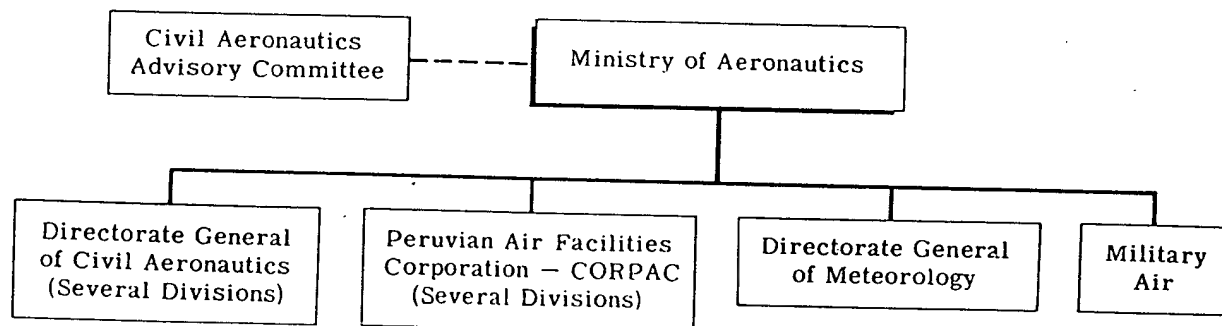
2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

A few of the most important laws, decrees, or resolutions dealing with civil aviation are listed below.

(1) Decree No. 27 of 31 October 1945 charged the DGAC with responsibility for the inspection of all civil aeronautical equipment, including that of commercial aviation companies.

(2) A decree of 15 May 1946 required all commercial air navigation companies to use multi-engine aircraft in the transport of passengers, freight and mail, except when inadequate ground facilities require the use of smaller aircraft.



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(3) Decree No. 29 of 30 June 1946 reorganized CORPAC, granting it additional authority and funds with which to carry out its functions.

(4) Decree No. 31 of 30 June 1946 created the Civil Aeronautics Advisory Committee.

(5) Decree No. 33 of 17 July 1946 directed that the legal obligation of companies operating air services to employ Peruvian nationals as 80 percent of their employees (Law 7505 of 8 April 1932) shall be carried out progressively until fulfilled or until all qualified Peruvian nationals are so employed.

(6) Decree No. 27 of 12 July 1947 established the requirements for concession of operating permits to national and international airlines.

(7) Resolution No. 704 of 23 November 1948 cancelled all cabotage rights in Peru of the US airline, PANAGRA, as of 1 January 1949.

(8) Resolution No. 389 of 3 May 1949 approved the "Rules of the Air" drawn up in accordance with the standards recommended by the International Civil Aviation Organization (ICAO).

b. Regulation of Peruvian Airlines.

Peruvian policy favors majority control of Peruvian airlines by nationals of the country. The operating contract of the ill-fated Peruvian International Airways, for example, required majority control of that company by Peruvians within 10 years of its establishment. Moreover, it is required by law that 80 percent of the employees of each airline be Peruvian nationals.

Except for the services rendered by the Military Air Transport Service (TAM), the Peruvian Government has not participated in the operation of air services. Until recently, therefore, it appeared that Peruvian policy endorsed private initiative for the development of air services. The present military regime, however, is promoting TAM as a commercial airline in an apparent effort to compete directly with Peruvian civil airlines. Although the government ostensibly favors reasonable competition in the airline industry, it has followed certain discriminatory procedures in its efforts to draw additional traffic to TAM. Moreover, despite the serious setback of a recent accident, TAM still appears to retain am-

bitious plans for further expansion. The Peruvian Government's policy of favoring TAM, however, may adversely affect the development of the country's civil aviation, since it is probable that TAM does not have the necessary skill and experience for operating a dependable commercial airline.

The Peruvian Government has on occasion granted subsidies to civil airlines on a very limited scale. The Compania de Aviacion Faucett is reported to have received a small subsidy at one time, for example, but it now has only a contract for the carriage of mail. ANDES, formerly a scheduled domestic carrier, received a small allotment in September 1949 for the purpose of reorganizing on a sounder economic basis as a non-scheduled operator for domestic and international services.

In spite of Faucett's 20 years of service exclusively within the country, the present government does not consider this carrier a genuine Peruvian enterprise, principally because PANAGRA controls 25 percent of its stock. However, Faucett still retains influence with the government because its services, although admittedly inferior to the cabotage services formerly provided by PANAGRA, are of great value to the country and could not now be duplicated by any other Peruvian organization.

In order to promote existing airlines, especially TAM, the government discourages the establishment of additional scheduled or non-scheduled services within the country.

c. Regulation of Foreign Airlines.

Peru was the most recent Latin American country to withdraw cabotage privileges for foreign airlines. PANAGRA lost these privileges as of 1 January 1949.

Foreign airlines must secure permits for the operation of services to Peru from the DGAC. Such services are subject to the terms of bilateral air agreements negotiated between Peru and those countries whose airlines fly to Peru.

Foreign non-scheduled flights to Peru must receive prior authorization, requests for which must be made to the DGAC at least five days in advance of expected entry. Peru is not known to have put any obstacles in the way of such approval.

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d. Promotion of Other Aviation Activity.

Peruvian policy with respect to the development, improvement, and operation of air facilities is executed by the Ministry of Aeronautics through the government airport corporation, CORPAC. To the limited extent permitted by the funds which have been made available to it, CORPAC has attempted to bring all construction, maintenance, and operation of airports, radio aids to navigation, and communications facilities under its control. For the most part, its funds have been spent on developing and operating the Limatambo Airport (large, modern airport and buildings outside Lima) and in purchasing communications and other facilities throughout the country from the commercial airlines, which originally installed and operated such facilities for their own purposes. CORPAC has been criticized, however, for failing to expend funds or effort to improve the communications, radio navigation aids and airports at the secondary air centers of the country. Although airline operators have found CORPAC services expensive and their charges sometimes discriminatory, it is generally agreed that this system is less costly than duplicate operations by individual carriers. Moreover, more efficient administration of CORPAC might lessen the charges and improve the services.

CORPAC's principal current difficulty has been the continued failure of the government to contribute sufficient funds for the corporation to perform adequately its duties. As a result, CORPAC's administration has recently become disorganized, its services have deteriorated, the President of the corporation has resigned, and plans have been advanced for a return of its facilities to private operations. In September 1949, however, funds finally appeared to be forthcoming to enable CORPAC to continue at a fair level of efficiency.

CORPAC plans eventually to convert the present aircraft communications network to radio-telephone. The new service would consist of two networks, one serving northern Peru and the other serving southern Peru.

Prior to the October 1948 coup, the government granted small subsidies to aero clubs and was about to inaugurate a broader program to encourage private flying. The present gov-

ernment, however, has not revived these plans. Strict controls on imports of aviation products, as a result of Peru's acute shortage of foreign exchange, make it unlikely that private flying will receive any substantial stimulus in the near future.

There is no airframe or aircraft manufacture in Peru at present. Until 1946, however, aircraft manufacturing was an important phase of the Faucett Aviation Company business. Faucett developed in 1934 a Stinson-Reliant type of single-engine plane particularly suitable for operation into the rough Peruvian airports and capable of climbing over the Andes. About thirty of these aircraft were completed by 1946. Production was discontinued at that time, partly because the planes were becoming obsolescent and also because of the government decree requiring commercial airline companies operating in Peru to use multi-engine aircraft on all routes except those with landing fields not suitable for such larger aircraft.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

With one major exception, basic Peruvian international aviation policies have closely paralleled those of the US, including strong support of Fifth Freedom rights, the early execution of a multilateral air transport agreement, and the standardization of regulations and practices through representation in and adherence to the International Civil Aviation Organization (ICAO). Since the Bermuda-type bilateral air agreement was concluded with the US on 27 December 1946, Peru has negotiated agreements with Cuba, Panama, Chile, the UK, and the Netherlands.

The sole major instance of divergence of civil aviation policy between the US and Peru was primarily concerned with conflicting interpretation of the US-Peru bilateral agreement. During the summer and fall of 1948, lengthy consultation between officials of Peru and the US took place as a result of Peru's attempts to impose frequency limitations on US carriers flying through Peru on the west coast routes. These talks were held in an effort to reconcile divergent US and Peruvian views on the amount of service which should be allowed on those routes under the agreement.

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Probably as a result of pressure exerted by the newly organized Peruvian International Airways (PIA), which was faced with the competition of two experienced and heavily backed US airlines, the Peruvian Government canceled the license authorizing Braniff Airways (a designated US carrier under the bilateral agreement) to operate into Peru, just as Braniff initiated service in June 1948.

However, intervention of the US Government resulted in the Peruvian Government's agreement to reinstate the Braniff permit, pending consultation as provided for in the bilateral agreement. The US took a serious view of the entire situation, inasmuch as any outcome unfavorable to the US interpretation of the bilateral agreement would have established a precedent jeopardizing the numerous similar agreements concluded by the US throughout the world. The revolution which unseated the Peruvian Government in October 1948, however, ended all discussions on the subject of the bilateral agreement. Since PIA terminated its operations in February 1949, the new Peruvian Government has not reopened the subject.

c. US Technical Assistance.

A US Civil Aeronautics Mission has been functioning in Peru since February 1946 on the basis of notes exchanged on 27 December 1946 between Peru and the US. Specialists in the fields of air traffic control, airport engineering, meteorology, communications, cartographic engineering, and air safety have been assigned to the mission at various times. The mission has: (1) aided in the compilation and issuance of modern air traffic rules; (2) surveyed and made recommendations on air traffic control, airports, and air navigation aids; and (3) studied and made recommendations for the reorganization of civil aviation in Peru. Since the Military Junta took over in October 1948, efforts of the mission to stimulate the reorganization and coordination of civil aviation activities and functions in Peru have been fruitless. Having abandoned its efforts in this direction, the mission has concentrated during 1949 on aiding CORPAC in the improvement of its services. A meteorological survey has also been conducted by a US technical specialist, and a study of air transport tariffs with

respect to rising costs of operation led to recommendation by the mission of a 25 percent increase in traffic rates. Moreover, a modern 6,000 ft. airstrip with radio and ground facilities, which was built by the US at Iquitos, Peru, during the war to expedite the movement of rubber from the upper Amazon, has now been turned over to the Peruvian Government.

4. Airlines.

a. Peruvian Scheduled Airlines.

At present, there are only two operators providing scheduled domestic airline service in Peru: Compania de Aviacion Faucett (Faucett) and Transportes Aereos Militares (TAM). Faucett is a privately owned enterprise, while TAM is operated by the Peruvian Air Force. A third carrier, Aerovias Nacionales del Sur (ANDES), formerly operated scheduled services within Peru. Because of financial difficulties, however, ANDES sought and obtained permission in August 1949 to operate domestic and international non-scheduled services for passengers and freight, using C-46 aircraft. The Lima-Caracas (Venezuela) route, inaugurated 1 September 1949 by ANDES on an irregular basis, offers a promising traffic potential, largely because of the direct connections from Caracas to points in the US and Europe.

Compania de Aviacion Faucett was established in 1928 by Elmer J. Faucett, an American who had been barnstorming for about five years up and down the northwestern coast of South America and across the Andes. Although the present regime in Peru is not as favorable to Faucett as previous governments have been, the company still enjoys considerable influence in Peruvian aviation circles. It has earned a profit regularly and has experienced little difficulty in generating additional traffic for its new, larger aircraft.

TAM was authorized to put its service on a scheduled basis in January 1949. The government's desire to extend TAM's service was probably largely responsible for cancellation of PANAGRA's cabotage privileges, also in January 1949. TAM and Faucett now share the former PANAGRA traffic. In order to cover the routes it attempts to serve, TAM has subjected its equipment to intensive utilization,

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to the serious detriment of both the safety and efficiency of its operations. As its service expands under government sponsorship, TAM will probably encroach upon Faucett's traffic, in spite of the fact that TAM has been required to increase its commercial rates to a level only slightly below that of Faucett. Elimination of ANDES from the domestic scheduled service competition, moreover, improves the competitive prospects for both Faucett and TAM.

Peruvian International Airways (PIA), Peru's former chosen instrument for international air service, operated to the east coast of the US until early in 1949. This carrier opened service to Habana in May 1947 and, in accordance with the US-Peru bilateral agreement, extended its service in July 1947 to New York via Miami and Washington. Intense competition from two US carriers over routes partially paralleling those of PIA, in addition to insufficient capital support and unsound commercial airline practices, was responsible for the serious financial difficulties which forced PIA to discontinue services and declare bankruptcy in February 1949.

(1) *Faucett (Compania de Aviacion Faucett, S.A.)*.

Routes: Faucett's routes are domestic only, connecting Lima with all important cities in Peru. In addition to coastal routes extending to the Ecuadoran border in the north and the Chilean border in the south, Faucett's extensive trans-Andes routes connect the developed coastal strip with a number of the most im-

portant points throughout the relatively undeveloped eastern portion of Peru (including Iquitos, Cajamarca, and Pias in the north, Tingo Maria in central Peru, and Puerto Maldonado, Cuzco, and Iberia in the south).

Equipment:

2 DC-4

7 DC-3

7 Stinson-Faucett F-19

Ownership: Faucett is a closely held company and details concerning its ownership are obscure. Although Mr. Elmer J. Faucett, who founded and has always directed the airline, has probably never held a controlling interest, it is believed that majority stock control is held by private Peruvian citizens. The US airline, PANAGRA, through a wholly owned, non-operating Peruvian airline, probably holds an approximately 25 percent minority interest. A Spanish resident of Peru also holds a minority interest.

Faucett was organized and began operations in 1928.

(2) *TAM (Transportes Aereos Militares)*.

Routes: TAM is the air transport component of the Peruvian Air Force and has operated commercially principally on a space-available basis. As a result of its primarily military nature, most of its operations are non-scheduled and its scheduled operations are on an informal basis. TAM operates extensively in southern Peru and has four scheduled services over two routes from Iquitos: to Yurimaguas, and to San Ramon, a military base, via Pucallpa.

AIRLINES OF PERU				
(October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles Per Week	Number of Aircraft (Various Types)	Ownership
Faucett	3,904	37,983	16	Obscure
TAM	2,588	10,152	7	100% Gov.
TOTAL	6,492	48,135	23	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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Equipment: 7 DC-3

Ownership: 100 percent Peruvian Government (Peruvian Air Force).

This airline has been operated by the Air Force since 1946, after having been established by the Peruvian Navy in 1927 and later operated as a civil airline.

b. Foreign Scheduled Airlines.

International service to Peru is maintained by four foreign airlines. The US carrier, Braniff Airways, stops at Lima on its route from the US to Rio de Janeiro via Habana,

Panama, Guayaquil and La Paz. A second US airline, PANAGRA, provides non-stop service from Panama to Lima en route to La Paz, Santiago and Buenos Aires. PANAGRA also serves the Peruvian cities of Talara, Chiclayo and Arequipa on various other international routes. British Overseas Airways Corporation (BOAC) transits Lima on its Barranquilla-Santiago trunk route, and the Brazilian carrier, Panair do Brasil, maintains service up the Amazon from Manaus (Brazil) to Pebas and Iquitos in the northeastern corner of Peru.

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APPENDIX S

URUGUAY

1. Government Organization for Civil Aviation.

Administration of Uruguay's civil aviation is the responsibility of a Directorate of Civil Aeronautics (DAC), acting under the jurisdiction of the Ministry of National Defense. The DAC supervises the national airline, PLUNA, as well as all other commercial aviation activity, air facilities, and aero clubs. The government agencies concerned with aviation in Uruguay are organized as shown on the chart below.

2. Domestic Civil Aviation Policy.

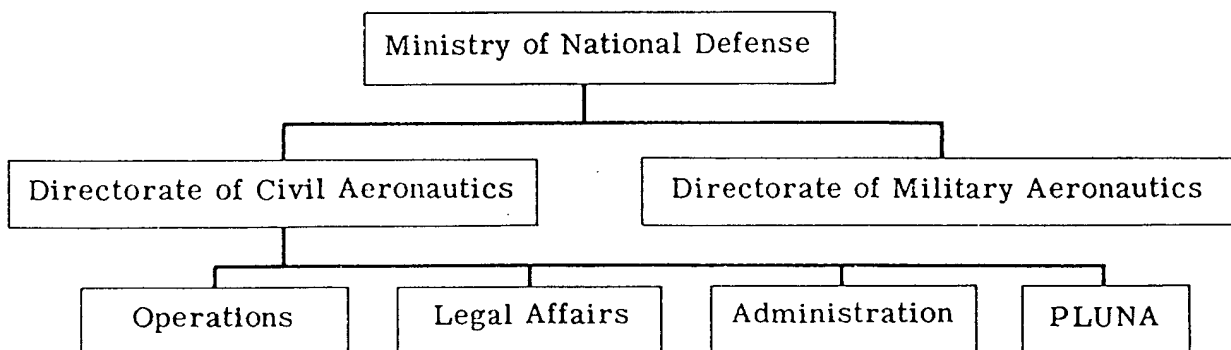
a. Civil Aviation Legislation.

A commission composed of representatives of civil and military aviation was appointed by the government late in September 1949 to draft legislation for the development of aviation in Uruguay, but little information is available on Uruguay's current basic aviation legislation. The country's principal domestic airline, PLUNA, was reorganized in 1945 on the basis of an organic law of 1944 setting it up as a mixed company, including both government and private capital. While this law authorized the acquisition of private shares by the State, it did not encompass the final organization of the company as an autonomous entity of the Uruguayan Govern-

ment. PLUNA, however, is now wholly government-owned and new legislation has been drafted to provide for its changed status. A law of 5 December 1940 (No. 9977) fixes the yearly subsidies paid by the Government to aero clubs.

b. Regulation of Uruguayan Airlines.

Since 1943, the DAC has gradually assumed more direct control of civil aviation activity within Uruguay. Because of the country's small area, the concentration of population in one urban area, and its adequate railway network, there has been little incentive either in private or in governmental circles for the establishment of a more extensive air transport network. Present Uruguayan civil aviation policy appears to have the aim of providing adequate air service by whatever means are most convenient. Repeated overtures have been made by the government to induce the privately owned Uruguayan scheduled carrier, CAUSA, which has had a record of successful operations on its short international routes, to merge with PLUNA, which for a long time has been considered an inefficiently managed and poorly organized enterprise. Although CAUSA has consistently resisted such a merger, the DAC con-



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tinues to subsidize CAUSA and to countenance its private ownership, in order to ensure continuation of its valuable services between Montevideo and Buenos Aires. Under the government's reorganization plans, PLUNA is designated as the eventual instrument for the operation of all internal services and for routes to Rio de Janeiro, Santiago de Chile, and to Europe. Uruguay's ability to compete with the many well-established international operators now flying these routes, however, has been challenged in Uruguayan aviation circles, and suggestions have been offered that such ambitious efforts be diverted toward improving and expanding service within the country.

c. Regulation of Foreign Airlines.

Uruguay encourages all international carriers to make traffic stops at Montevideo. Since Uruguay has not yet ratified any of the bilateral air agreements it has initialed, foreign airlines receive their operating concessions directly from the government through the DAC.

d. Promotion of Other Aviation Activity.

Airfields and facilities are being steadily improved by the government in order to attract more international traffic.

Activities of the 32 aero clubs in Uruguay are aided by government subsidization of their pilot training programs. All but three or four clubs have at least one light sport plane, and a large number are equipping their organizations with ambulance planes in order to provide improved medical services for outlying areas.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Uruguay apparently supports liberal principles of international air traffic, since it has placed no restrictions on the operations of international carriers and has initialed Bermuda type air transport agreements with the US, the UK, and the Netherlands. Although the Uruguayan Congress has not formally ratified any of these bilateral agreements, for all practical purposes they are in effect.

b. International Organizations.

A major step toward Uruguayan membership in the International Civil Aviation Organization was taken in September 1949,

when the Uruguayan Chamber of Deputies approved adherence to the Convention. Approval by the Senate and signature by the President are expected to follow in short order.

c. US Technical Assistance.

Uruguay did not take advantage of an offer of a US technical assistance mission in 1947 and the offer was withdrawn in 1948 because of pressing requirements elsewhere.

4. Airlines.

a. Uruguayan Scheduled Airlines.

CAUSA's profitable international route from Montevideo to Buenos Aires has been operated without interruption since 1938, but PLUNA's domestic services, started in 1936, have been much less dependable and were interrupted for two years (1943-45) while PLUNA was being reorganized. In 1939, CAUSA concluded an agreement with the Argentine airline "Corporacion" for provision of equal capacity by the two airlines on the Buenos Aires-Montevideo route. ALFA assumed these joint operating rights when "Corporacion" was reorganized in 1947.

(1) CAUSA (*Compania Aeronautica Uruguaya, S.A.*).

Routes: CAUSA operates two international routes to Buenos Aires, originating flights from both Montevideo and Colonia. The service from Montevideo is operated in conjunction with the Argentine airline, ALFA, under a pooling arrangement.

CAUSA's service from Colonia offers surface transport connections to Montevideo. During the summer tourist season, CAUSA also operates a week-end service from Montevideo to the popular Uruguayan beach resort, Punta del Este. This connects with the Buenos Aires service. No other domestic services are operated by CAUSA.

Equipment:

2 Junkers JU-52/3m

3 Short Sunderland

Ownership: 100 percent private Uruguayan.

(2) PLUNA (*Primeras lineas Uruguayas de Navegacion Aerea, SEM*).

Routes: PLUNA operates three domestic routes out of Montevideo, two of which serve

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AIRLINES OF URUGUAY (October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
CAUSA	154	2,772	5	100% Private
PLUNA	1,250	15,660	5	100% Gov.
TOTAL	1,404	18,432	10	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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the periphery of Uruguay. The third route crosses Uruguay directly to the Brazilian border, serving Rivera (where connection is made with the Brazilian airline VARIG) and Artigas. PLUNA also operates an international non-stop service between Montevideo and Porto Alegre, Brazil.

Equipment: 5 DC-3

Ownership: 100 percent Uruguayan Government.

b. Foreign Scheduled Airlines.

Pan American World Airways (PAA) is the only US carrier serving Uruguay. PAA's east coast route to Buenos Aires includes non-stop service to Montevideo from both Porto Alegre and Rio de Janeiro.

Montevideo is also on the Latin American routes of the following six European airlines,

receiving service en route to Buenos Aires from various Brazilian cities.

<i>Airline</i>	<i>Nationality</i>
Air France	France
Alitalia	Italy
BOAC (British Overseas Airways Corporation)	UK
KLM (Royal Dutch Airlines)	Netherlands
Iberia	Spain
SAS (Scandinavian Airways System)	Norway, Denmark, Sweden

Two Latin American airlines serve Montevideo: the Argentine carrier, ALFA, operates from Buenos Aires in conjunction with Uruguay's carrier, CAUSA; and a route from Pelotas and Porto Alegre, Brazil, is flown by the Brazilian carrier, VARIG.

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APPENDIX T

VENEZUELA

1. Government Organization for Civil Aviation.

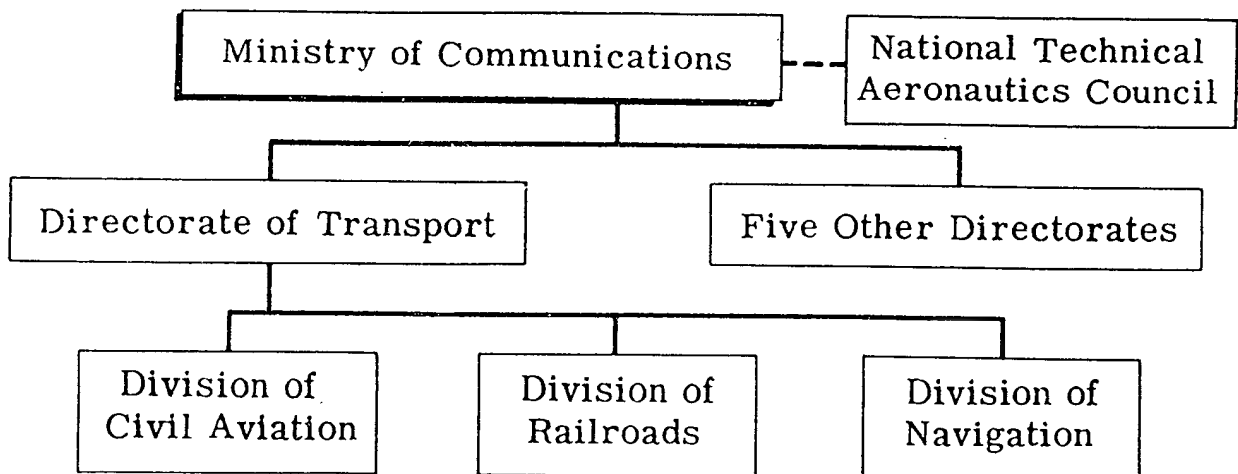
Civil aviation in Venezuela is the responsibility of a Directorate of Transportation acting under the jurisdiction of the Ministry of Communications. The Directorate of Transportation (one of six departments in the Ministry of Communications) performs its functions through: (1) a Division of Civil Aeronautics; (2) a Division of Railroads; and (3) a Division of Navigation.

Most officials of the Ministry of Communications are well informed on aviation matters and have been urging reorganization measures to centralize the various civil aviation functions.

A plan for the reorganization of the government's civil aviation functions was prepared by the Ministry of Communications, with the collaboration of the US Civil Aviation Mission, and has been accepted by the present Military Junta. This reorganization was to have been put into effect in

July 1949, if funds were made available, but there is as yet no indication that the plan has been implemented. According to the proposal, a Directorate of Civil Aviation (DAC) would be created at the level of the Directorate of Transportation and would assume the government's civil aviation functions. The DAC would be composed of sections for Airline Operations, Air Safety, Aviation Schools and Training, and Airports. The planned unification of all civil aviation functions within a single organization, however, received a setback in July 1949 when, over the objection of the Directorate of Transportation, the government decreed that the function of maintenance of airports would be the responsibility of a Directorate of Harbors and Airports under the jurisdiction of the Ministry of Public Works.

Governmental responsibility for the function of civil aviation is presently organized as follows:

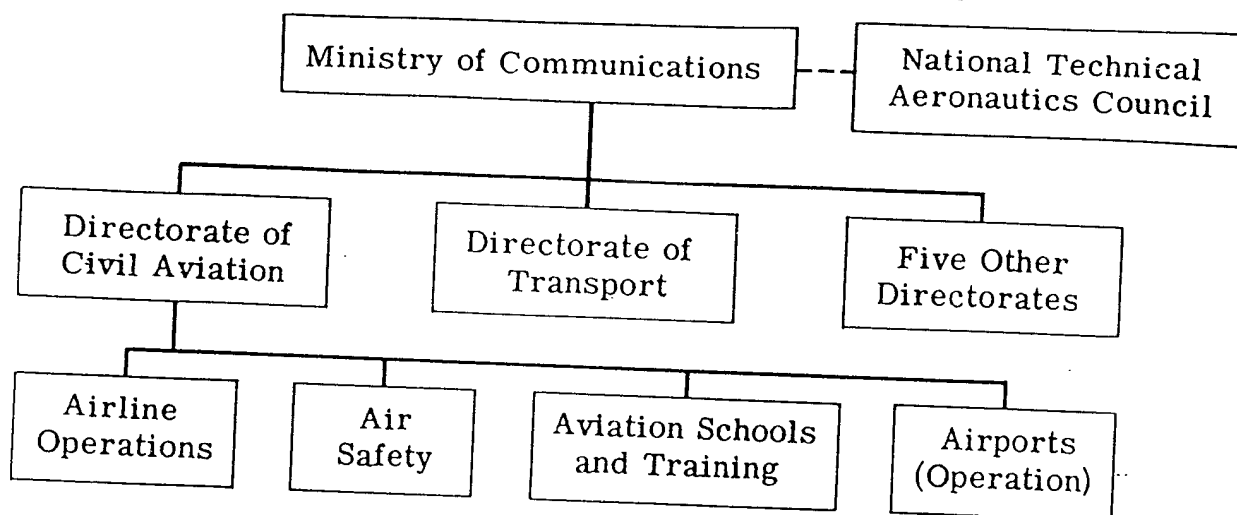


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The proposed reorganization would establish the following relationships:



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In January 1946, a National Technical Aeronautics Council was created as a dependency of the Ministry of Communications. This five-man council functions as an advisory agency on air communications, routes, and airports and is composed of representatives of the Ministries of War and Navy, Public Works, and Communications, as well as representatives of LAV (the national airline) and of the National Council of Transportation Routes.

In September 1947, a seven-man advisory commission was created to study and advise on all matters pertaining to the relationship of Venezuela to the International Civil Aviation Organization (ICAO). In February 1949, moreover, jurisdiction over the Venezuelan delegation to the ICAO was transferred from the Ministry of Foreign Affairs to the Ministry of Communications.

The National Civil Aeronautics Inspection Board was reorganized in 1947 to improve its services.

2. Domestic Civil Aviation Policy.

a. Civil Aviation Legislation.

With the assistance of a US Civil Aviation Mission, Venezuelan aviation laws have been revised along the lines of US legislation. A new Civil Aviation Law to replace the Law of 1944 was enacted by the Venezuela Con-

gress in 1948, but the Military Junta of Government has not yet taken action on the law.

Decree No. 58 of 22 May 1948 replaced a decree of 1947 as the basic law governing the administration of LAV. According to Article 32 of the 1948 law, LAV is authorized to participate in the creation of a company for international operations, in which Venezuelan capital must retain majority stock control and effective control of the organization.

Foreign capital participation in all other Venezuelan airlines is also limited by law to 49 percent, majority control to reside in Venezuelan nationals.

b. Regulation of Venezuelan Airlines.

The separation of civil aeronautics from Air Force control after the 1945 revolution greatly improved the position of Venezuelan civil aviation, especially commercial operations. With the exception of increased aid and promotion of LAV, no change in civil aviation policies appears to have resulted from the assumption of power by the Military Junta in November 1948. The proposed reorganization of the Division of Civil Aeronautics would render it a larger and more autonomous entity, with virtually complete control of all civil air affairs.

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The objectives of the present Division are: (1) the expansion of the State airline LAV; (2) the construction and improvement of air facilities; and (3) the encouragement of private flying. LAV is operated by the government as an independent entity and receives generous financial assistance. The government also participates to a limited extent in the capital of the two other Venezuelan scheduled carriers. Through LAV, it holds a 7.5 percent interest in AVENSA, and a 12.2 percent interest in TACA de Venezuela. Competition with the established carriers, especially with LAV, is discouraged, as are non-scheduled operations. To date, only cargo carriers have been authorized to operate non-scheduled services within Venezuela.

c. Regulation of Foreign Airlines.

Since the inauguration of international services by LAV in 1946, the operations of foreign airlines have been subject to closer surveillance by the Venezuelan Government. Although Venezuela favors the operation of US airlines into its territory and also encourages non-scheduled flights to Venezuela from abroad, it is willing to grant permission for such services and flights only when they do not compete directly with LAV. Moreover, Venezuela has asserted its right to approve the tariffs of all foreign airlines stopping in Venezuelan territory. The privileges of cabotage enjoyed in Venezuela for many years by Pan American World Airways were terminated 15 October 1947. Venezuela's only bilateral air agreement is with the US and that has not been ratified. Therefore, all foreign carriers operate to Venezuela on the basis of permits issued by the Directorate of Transport.

d. Promotion of Other Aviation Activity.

It is Venezuelan policy to bring the construction and improvement of all aviation facilities under control of the government. In accordance with an extensive program planned early in 1948, substantial government appropriations have been expended for the gradual purchase of existing airfields and the improvement or construction of additional facilities. Perhaps the greatest obstacle to the progress of Venezuelan civil aviation has been the country's lack of adequate airports, communications and meteorological facilities.

Improvements have been made at all of the principal traffic centers within the past few years, however, as well as at most of the secondary airports. Extensive improvements now in progress on the Caracas airport, La Carlota, will prevent use of that facility until at least the middle of 1950. In addition, studies are being made of the possibility of providing air service to other population centers throughout the country.

Plans for the unification of the existing private air communications systems were formulated during 1947 and a private company, Radio Aeronautico Venezolano, was formed for that purpose. Although most of the domestic and foreign airlines agreed to participate in the company, little actual progress has been made on unification of services. A comprehensive plan for a modern, government-controlled airways communication and navigation system has been prepared by the US Civil Aviation Mission for the consideration of the Ministry of Communications, and it is probable that this proposal will eventually be adopted.

The five Venezuelan flying clubs receive no direct subsidies from the government. They are all equipped with aircraft, however, and benefit indirectly from the training given at the government-operated school, "Miguel Rodriguez," at Maracay, which offers training to both air and ground personnel.

The Polytechnic Institute of Aviation, established at Caracas in 1948, offers Link trainer instrument flight training under government auspices, as well as instruction in navigation, meteorology, aerodynamics, and radio, for pilots of the domestic airlines and private fliers.

There is no production of airframes or aircraft engines in Venezuela. The country is one of the best markets in Latin America, however, for the sale of aviation equipment.

3. International Civil Aviation Policy.

a. Air Traffic Policy and Air Agreements.

Motivated by a desire to protect its national airline from undue foreign competition, Venezuela's air policy toward foreign airlines tends to be restrictive. For example, Venezuela has opposed the recognition of Fifth Freedom air rights in a multilateral agree-

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ment and also believes that air routes should be negotiated on a bilateral basis.

Negotiation of a US-Venezuela bilateral air agreement, the only Venezuelan air agreement to date, was concluded on 14 May 1948. Continued Venezuelan failure to ratify this agreement, however, has required each country to grant temporary operating permits to the airlines of the other country. Venezuela's LAV is currently seeking extension of its temporary operating permit or the grant of a permanent one by the US Civil Aeronautics Board (CAB). On the other hand, Chicago and Southern Air Line (C&S) of the US holds a temporary Venezuelan permit of indefinite duration (presumably until ratification of the agreement). Although C&S has been certificated by the US CAB to make traffic stops at Habana, its Venezuelan permit does not authorize the carriage of traffic between Habana and Caracas since such service would be in direct competition with LAV.

b. International Organizations.

Venezuela has taken an active part in the International Civil Aviation Organization (ICAO) since it adhered to the Chicago Convention in April 1947. LAV is a member of the International Air Transport Association (IATA).

c. US Technical Assistance.

In July 1948, at the request of the Venezuelan Government, a US Civil Aviation Mission was assigned to Caracas to assist the Ministry of Communications in planning its services related to commercial aviation. A communications specialist was added to the mission later in the year. This mission collaborated with the Ministry of Communications in the preparation of a plan for reorganization of the civil aviation functions within the Venezuelan Government (see Section 1). In addition, a number of LAV employees and officials of the Ministry of Communications have taken advantage of Civil Aeronautics Administration training courses in the US.

4. Airlines.

a. Venezuelan Scheduled Airlines.

The three Venezuelan scheduled airlines have maintained a steady development since the end of the war. These carriers, LAV, AVENSA, and TACA de Venezuela, have ex-

tended their routes, acquired additional modern equipment, and have substantially increased their passenger and freight traffic. Although LAV was authorized in 1948 to participate in the creation of a new international airline (see Section 2, *a.*), there seems to be little prospect of this plan being carried out in the near future.

Military pilots are used in rotation for LAV operations because insufficient numbers of civilian pilots are available. Although LAV's credit is good, several large government appropriations have been necessary to cover its indebtedness and keep the line in operation. In the past, politics have figured heavily in the administration of LAV. Recently, however, more efficient administration of the airline has made some progress in eliminating its heavy operating losses. LAV has a fairly good safety record.

Key personnel in AVENSA, the Pan American World Airways (PAA) subsidiary which was established in 1943, were recruited from PAA. The staff is composed largely of Americans, in spite of the fact that AVENSA's franchise from the Venezuelan Government requires that its employees shall be exclusively Venezuelan nationals within its first four years of operation.

US personnel have also played an important role in the operations of TACA de Venezuela. Although it was required by the 1945 reorganization of TACA that 75 percent of its executive personnel and 50 percent of its operational personnel be Venezuelan, almost all pilots are North Americans, while co-pilots are mostly Venezuelan.

A small cargo line, Compania Rutas Aereas Nacionales, S.A. (RANSA), was authorized in May 1949 to add chartered passenger service and scheduled cargo service to its former non-scheduled cargo operations. This airline operates a fleet of three C-47's and three C-46's. Two other small airlines, CAVE and SAVANA, have been authorized during 1949 to operate non-scheduled cargo service within the country.*

* In November 1949 Compania Anonima Viajes Expresos (CAVE), a Venezuelan non-scheduled passenger and freight airline, was authorized by the Venezuelan Ministry of Communications to conduct

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(1) *AVENSA (Aerovias Venezolanas, S.A.).*

Routes: AVENSA's operations, which are domestic only, serve the principal cities of the populous northern and coastal regions of Venezuela in a generally east-west direction from the border of British Guiana to the Colombian border. Routes are regularly operated from Guiria (opposite Trinidad), Maturin, and Ciudad Bolivar in the east to San Antonio in the far west of Venezuela, via the northern cities of Caracas,* Coro, and Maracaibo.

Equipment:

- 1 DC-4
- 14 DC-3
- 2 C-47 (cargo only)
- 2 Lockheed Electra
- 1 North American AT-6
- 1 Stinson Reliant

international services to Europe. To implement this permit CAVE organized an international division, Aerovias Venezolanas Europa (AVE), and with two leased DC-4 aircraft commenced weekly service to Madrid, Paris, and Rome in mid-January 1950. In June 1950 AVE was operating two weekly flights to Lisbon, one flight continuing to Rome, the other to Madrid and Paris.

* All airlines serving Caracas use Maiquetia Airport, near the coastal city of La Guaira.

Ownership:

- 55.45 percent private Venezuelan
- 37.05 percent US (Pan American World Airways)
- 7.50 percent Government of Venezuela (through the airline LAV, which is owned by the government).

AVENSA was the first privately owned commercial airline to be established in Venezuela, receiving its operating permit from the government in May 1943.

(2) *TACA de Venezuela (Linea Aerea TACA de Venezuela, C.A.).*

Routes: TACA's principal domestic routes serve the same general area as those of AVENSA; i.e., the populous northern coastal region of Venezuela. In addition to its predominantly east-west routes in the north, TACA also operates from Caracas south to San Fernando in central Venezuela, and from Ciudad Bolivar south to Icabaru on the Brazilian border. TACA operates one international route to the capital of Colombia, Bogota, from Caracas and Maracaibo.

AIRLINES OF VENEZUELA				
(October, 1949)				
Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
AVENSA	1,833	62,279	21	55.45% Private 37.05% U.S. 7.50% Gov.
TACA	3,243	61,955	19	42.8% Private 12.2% Gov. 45.0% TACA
LAV	7,308	84,774	34	100% Gov.
TOTAL	12,384	209,008	74	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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Equipment: 19 DC-3

Ownership:

- 42.8 percent private Venezuelan
- 12.2 percent Government of Venezuela
(through the airline LAV, which is owned by the government)
- 45.0 percent TACA Airways, S.A.
(which is controlled by US interests)

TACA de Venezuela was organized in August 1944 and commenced scheduled operations in January 1945.

(3) *LAV (Lineas Aeropostal Venezolana).*

Routes: Domestic. The majority of LAV's domestic routes lie in the populous Caribbean coastal region and extend to all principal cities in northern Venezuela, including Caracas, Coro, Maracaibo, Barquisimeto, Barcelona, Maturin, and Ciudad Bolivar. Southern Venezuela receives LAV service over the following routes: Barquisimeto to Guasualito in the west, Caracas to Puerto Ayacucho in the center of the country, and Ciudad Bolivar to Santa Elena in the east. (The latter route extends across the Brazilian border to Boa Vista.)

International. LAV's principal international route links the country with Habana and New York. Other international services are flown to neighboring countries: Aruba (N.W.I.), Trinidad (B.W.I.) and, as indicated above, Brazil (Boa Vista). Although LAV has an interline agreement with LANSA, the Colombian airline, for joint Caracas-Bogota service, only the latter is actually operating over this route.

Equipment:

- 4 Lockheed Constellation
- 2 Martin 202
- 24 DC-3
- 3 Lockheed Lodestar
- 1 Stinson

Ownership: 100 percent Venezuelan Government. LAV is an autonomous government corporation.

LAV was organized by the Venezuelan Government in 1933 to take over the operations of the Venezuelan branch of the French airline, Compagnie Generale Aeropostale, which had gone bankrupt.

b. Foreign Scheduled Airlines.

Venezuela is served by two US-flag scheduled airlines: Pan American World Airways

(PAA), and Chicago and Southern Air Lines (C&S). PAA operates two routes from the US to Caracas via Curacao: one from New York and San Juan, and the other from Miami and Ciudad Trujillo (Dominican Republic). In addition, PAA operates an east-west service along the Caribbean coast of South America from Trinidad to Panama. This route passes through four Venezuelan cities: Maturin, Barcelona, Caracas and Maracaibo, and makes connections in Panama and Trinidad for other points in Latin America. The second US operator, C&S, links the US and Venezuela over a Houston-New Orleans-Habana-Kingston-Caracas route. This profitable operation serves the two major petroleum-producing areas of the Western Hemisphere.

Two US non-scheduled operators, moreover, have been granted Venezuelan authorization to perform scheduled services between Venezuela and Europe. Those carriers, Transocean and Trans-Caribbean, operate from Caracas to Rome, where connections via other airlines are made for Madrid, since direct flights have not been authorized by Spain.

The Spanish airline, Iberia, inaugurated direct one-carrier service between Madrid and Caracas in the summer of 1949. An Italian carrier, LATI, also commenced service about the same time, linking Caracas and Rome via Sevilla. Service from Caracas to Lisbon and beyond is offered by KLM, the Royal Dutch Airline, which also operates numerous flights from Curacao (its West Indies Division headquarters just off the Venezuelan coast) to Maracaibo, Caracas, and Barcelona en route to other points in the Latin American area and to Europe.

British West Indian Airways also serves Venezuela in its Caribbean operations, originating flights to Caracas from Trinidad and Barbados and continuing on to Curacao and Kingston, Jamaica.

With respect to Latin American airlines, the Brazilian carrier, Aerovias Brasil, makes a traffic stop at Caracas on its Rio de Janeiro-Miami service, entering Venezuela from Port of Spain and continuing on to Ciudad Trujillo.

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APPENDIX U

AIRLINES OF BRITISH COLONIES AND PUERTO RICO

AIRLINES OF THE BRITISH COLONIES & PUERTO RICO (October, 1949)					
	Airline	Unduplicated Route Miles*	Scheduled Miles per Week	Number of Aircraft (Various Types)	Ownership
Trinidad	BWIA	4,854	33,598	9	Brit. Govt.
Jamaica	(BCA	1,126	3,770	3	(Brit. Govt.
	CIA	327	654	1	Brit. (Priv.)
Bahamas	BAL	752	1,250	5	Brit. Govt.
Brit. Guiana	BGA	1,800	2,179	4	U. S.
Puerto Rico	CAA	388	12,051	3	U. S.
TOTAL		9,621	56,022	25	

* The term "Unduplicated" refers only to those route miles which are not duplicated by an individual airline.

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1. British Colonies.

Civil aviation affairs in the British colonies of Trinidad and Tobago, Jamaica, and the Bahamas are in each case supervised by a Department of Civil Aviation in the Colonial Government, although final responsibility for the determination of policy rests with the Ministry of Civil Aviation in the UK.

a. Trinidad.

This colony is the operational base for British West Indian Airways, Ltd. (BWIA), which operates the most extensive network of any of the airlines incorporated within the Caribbean area. There is no local air service on the island of Trinidad.

BWIA was organized in 1940 by Mr. Lowell Yerex, the founder of the TACA System (see Panama, Section 5). The company was owned entirely by Yerex until 1943, when it was incorporated and shares were sold to the public. Yerex soon sold his 40 percent stock interest to TACA Airways, S.A., the non-operating holding company for the TACA System,

which in turn gradually sold all of this stock to British citizens. During 1947, British Overseas Airways Corporation (BOAC), an entity of the British Government bought up all shares in BWIA.

Routes: BWIA's colonial routes connect Port-of-Spain, Trinidad, with all the important British possessions bordering the Caribbean Sea and with British Guiana. Operations also extend west to Kingston (Jamaica) and Belize (British Honduras). BWIA's international routes extend from St. Kitts and Kingston to Ciudad Trujillo (Dominican Republic), and from Port-of-Spain and Barbados to Caracas (Venezuela) and beyond to Curacao (Netherlands West Indies). From Curacao, BWIA provides direct connections to Kingston.

Equipment:

4 Lockheed Lodestar

5 Vickers Viking

Ownership: 100 percent British Government.

Trinidad is probably the principal air hub on the northern coast of South America. In

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addition to the extensive service provided by BWIA to points in the Caribbean area, the airlines of five countries connect Trinidad with points in the US, Canada, and South America:

Pan American World Airways (PAA). Trinidad is the eastern terminus for PAA service across the northern coast of South America, as well as the southern terminus of PAA's Antilles routes. In addition, it is an important traffic stop on PAA service from the US to the east coast of South America.

Trans-Canada Air Lines (TCA). Trinidad is the southern terminus of TCA's routes from Canada either via Bermuda, or via Nassau (Bahamas) and Kingston (Jamaica).

Royal Dutch Airlines (KLM). KLM's West Indies service connects Trinidad with Curacao, Barcelona (Venezuela), and Paramaribo (Dutch Guiana).

Aerovias Brasil. Trinidad is a traffic stop on Aerovias Brasil's Rio de Janeiro-Miami service via Paramaribo, Caracas and Ciudad Trujillo.

Linea Aeropostal Venezolana (LAV). LAV serves Trinidad on a route connecting with Maturin and other points in Venezuela.

b. Jamaica.

This island is too small to support more than token air service within its territory. Two cities, Kingston and Montego Bay, are on international routes and, although a good road connects them (85 miles), there is sufficient travel between the cities to justify an air-shuttle service by British Caribbean Airways (BCA).

Jamaica has been served on international routes since 1930, when PAA began service to the island. In addition to BCA, a second company, Caribbean International Airways (CIA), bases its operations in Jamaica, although the latter company is registered in Nassau (Bahamas). Both are relatively new airlines, BCA having been organized in 1946, and CIA in 1948. A Jamaican family owned BCA until October 1949, when British Overseas Airways Corporation (BOAC) purchased the stock. BCA's operations reportedly will be merged with those of British West Indian Airways (BWIA). The main activity of CIA is charter flying. Although it has operated a weekly scheduled service between Kingston and the Cayman Islands since June 1948, CIA

has not been formally authorized by the British Government to conduct scheduled service on this route. In June 1949, the US Civil Aeronautics Board granted CIA a permit for non-scheduled service between the Cayman Islands and Tampa, Florida.

British Caribbean Airways, Ltd. (BCA).

Routes:

Kingston-Montego Bay
Kingston-Miami
Montego Bay-Nassau

Equipment:

2 DC-3
1 Lockheed Lodestar

Ownership: 100 percent British Government (through BOAC)

Caribbean International Airways, Ltd. (CIA).

Routes: Kingston-Cayman Islands (scheduled)

Kingston-Tampa (non-scheduled)

Equipment: 1 PBY

Ownership: 100 percent private British citizens.

The following six international airlines serve Jamaica:

Pan American World Airways (PAA). provides direct or connecting service to Kingston from most of the important traffic points in the Caribbean area. In addition, Montego Bay is served from Camaguey, Cuba.

Chicago & Southern Air Lines (C&S) serves Kingston on flights from New Orleans to Caracas, and also operates from Houston to Kingston via Habana.

Royal Dutch Airlines (KLM) operates to Kingston from Port-au-Prince, Haiti, and from Aruba (Netherlands West Indies).

British West Indian Airways (BWIA) offers direct service from Ciudad Trujillo and Curacao.

British Overseas Airways Corporation (BOAC) provides Kingston with service from Europe via Bermuda or Nassau en route to Panama and South America.

Trans-Canada Air Lines (TCA) serves Kingston on its Canada-Trinidad route.

c. Bahamas.

Air transportation was introduced to this British colony by PAA in 1929 over a route serving the tourist traffic between Miami and

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Nassau. Bahamas Airways (BAL) also operated over this route for a short time, but now flies from Nassau to West Palm Beach. BAL is the only airline now operating scheduled services within the Bahamas.

Bahamas Airways, Ltd. (BAL)

Routes: BAL connects Nassau with the outer islands of the northern part of the Bahama group. Scheduled international flights are operated between Nassau and West Palm Beach. Charter operations are conducted throughout the Caribbean area.

Equipment:

- 1 PBY
- 1 Consolidated Commodore
- 2 Grumman Goose
- 1 Republic Seabee

Ownership: 100 percent British Government (through BOAC).

In addition to BAL's flights, the Bahamas are served at Nassau by Pan American World Airways (PAA) on a direct flight from Miami, by British Overseas Airways Corporation (BOAC) en route from Bermuda to Habana, by Trans-Canada Air Lines (TCA) on its Canada-Kingston-Port-of-Spain service, and by British Caribbean Airways which connects with Montego Bay, Jamaica.

d. British Guiana.

British Guiana Airways, Ltd. (BGA), the only airline in this colony, has been owned and operated since 1934 by Major A. J. Williams, a US citizen. BGA conducted charter operations until 1939, when it signed a three-year agreement with the Government of British Guiana to operate scheduled service to interior points. In return, BGA received an annual subsidy. It is not known, however, whether this subsidy was continued after expiration of the original contract. The government has never attempted to replace BGA with a British-owned air service and has even refused permission for other airlines to operate within British Guiana. The Colonial Government took action in 1948 to reduce BGA rates.

Routes: Five routes radiate from Georgetown to all sections of British Guiana except the region north of that city. Most of the towns served are river ports in the interior.

Charter operations, both within and outside British Guiana, are also an important activity of BGA.

Equipment:

- 2 DC-3
- 2 Grumman Goose

Ownership: 100 percent private US.

British Guiana is served by Pan American World Airways on its service from Port-of-Spain to Paramaribo, Cayene and points in Brazil. British West Indian Airways also provides connections with Port-of-Spain, as well as Barbados.

2. Puerto Rico.

Caribbean-Atlantic Airlines, Inc. (CAA) was incorporated in Puerto Rico in 1939. Both CAA and its former rival on the island, Aerovias Nacionales de Puerto Rico, Inc. (Aerovias), applied to the US Civil Aeronautics Board for operating permits in 1939 and 1940, respectively. The applications were consolidated by the Board and CAA was issued a certificate in 1942 to operate between certain points in Puerto Rico, and also to St. Thomas and St. Croix in the Virgin Islands. Aerovias was denied a certificate and went out of existence shortly thereafter. CAA continues to enjoy the distinction of being the sole US carrier incorporated in the Caribbean area.

Routes: Caribbean-Atlantic connects the island of Puerto Rico with the Virgin Islands, and with the Dominican Republic. It also operates two short routes within Puerto Rico.

Equipment: 3 DC-3

Ownership: 100 percent private US citizens. (The company is at present controlled by three members of the Trigo family who hold 65.9 percent of the capital.)

Two US carriers and one French airline serve San Juan, Puerto Rico.

Pan American World Airways (PAA) connects San Juan directly with New York, Miami, Ciudad Trujillo, Curacao, and Port-of-Spain. In addition, San Juan is the northern terminus of PAA's route through the Lesser Antilles.

Eastern Air Lines (EAL) also provides direct Miami-San Juan service.

Air France serves San Juan from Guadeloupe and Martinique with PBY aircraft.

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